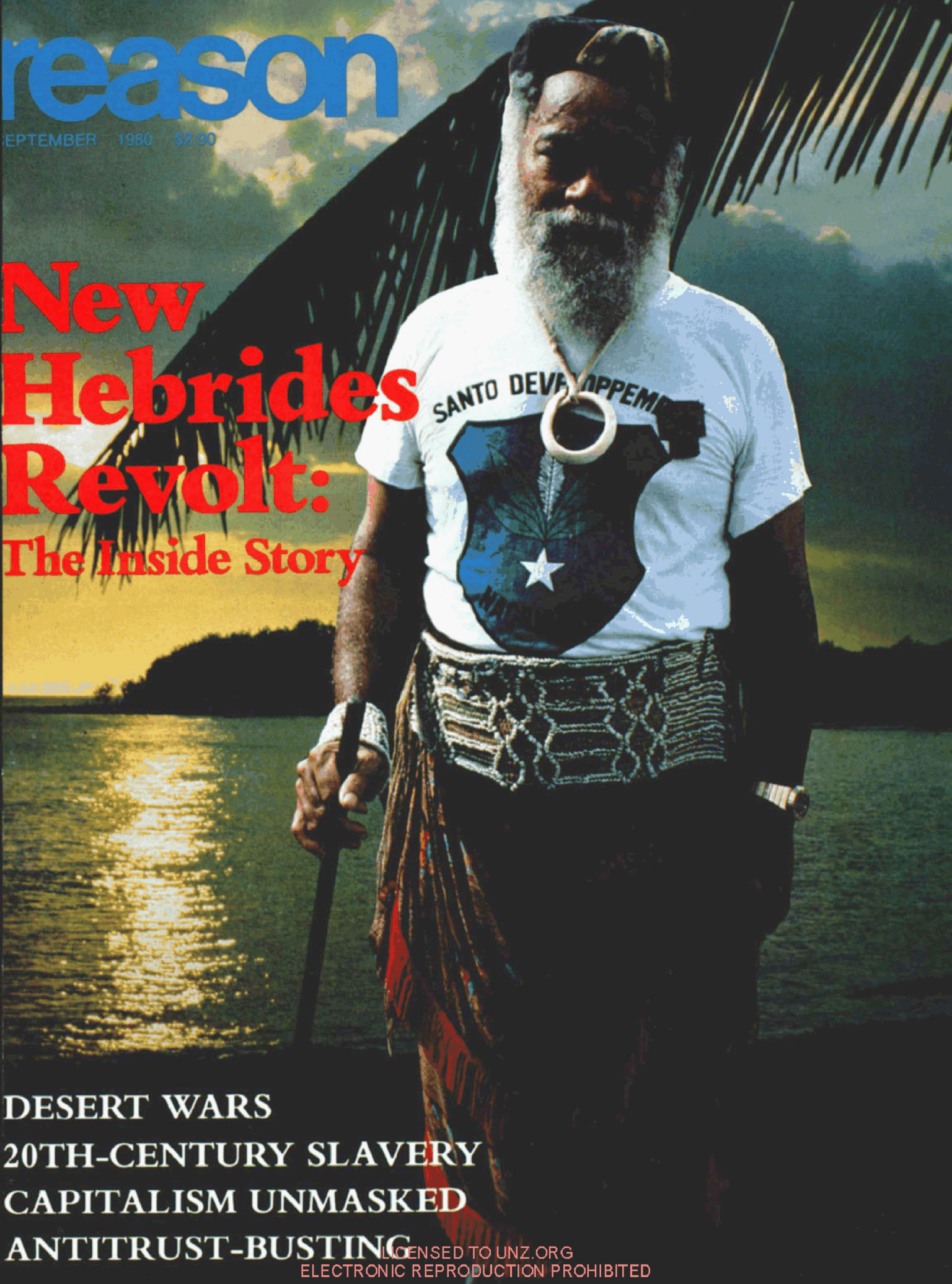

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In an exclusive new interview, Dr. Franz Pick warns...

"The U.S. government will issue a new currency –within 12 to 24 months.

It will change 100 old dollars for 1 new hard dollar."

Dr. Franz Pick is one of the world's most respected authorities on currency matters and precious metals. He studied currency and inflation theories at the University of Hamburg and the Sorbonne in Paris. His degrees include BS, MA, MBA, LLD, and PHD. He is the Publisher of *Pick's World Currency Report* and *Pick's Currency Yearbook*, two internationally respected publications on currencies. He is the author of 6 books on silver and gold.

Dr. Franz Pick

Now, in an exclusive new interview with the **Silver & Gold Report**, Dr. Pick tells why the dollar and dollar-denominated investments are headed for disaster. Here are excerpts...

On the Dollar

"The most serious problem we face today is the debasement of our currency by the government . . . As you can observe by looking at the official U.S. cost of living statistics, the dollar by early 1978 had been debased to less than one-tenth of its 1940 value. My own unofficial figures put the value of the dollar at around 7% of its pre-war value . . . The government will continue to debase the dollar until it is worth about a penny. [Then it will repudiate its debts] by exchanging 100 old dollars for each new dollar. This may happen within 12 to 24 months."

On Traditional Investments

"Currency debasement destroys the value of corporate bonds, stocks, life insurance policies, annuities, and all other debt instruments denominated in dollars. We may be the richest nation in the world, but our assets are melting away before our eyes and virtually no one recognizes this fact."

On the Outlook for Investors

"[Dollar-denominated assets] will be wiped out... Many people will be ruined. I'm afraid the readjustment to real values will bring much pain and suffering."

"Gold is your best protection."
—Dr. Franz Pick

Based on his deep knowledge of money, and his first-hand experience with collapsing currencies, Dr. Pick is convinced that, despite the dollar crisis, you can preserve the value of your assets.

He tells you why he believes *gold* is the single best inflation hedge available anywhere. He explains why worldwide demand for gold—as both a hedge and an industrial commodity—is rising sharply. He discusses three new developments—involving Arabs, India, and a possible new world monetary agreement—which may exert dramatic upward pressure on gold prices.

How to Invest

Dr. Pick also shows you what forms of gold to invest in. He explains how to buy gold and legally avoid sales tax. He explains the critical mistake many investors make by taking out a safe deposit box, and tells you how to avoid it. He points out a serious danger of owning gold coins—overlooked by many owners—and describes how to avoid it, too.

SPECIAL INTRODUCTORY OFFER

Dr. Franz Pick's interview recently appeared in the **Silver & Gold Report**, an impartial independent, twice-monthly Newsletter. A copy of this interview is yours as a BONUS with a 3-month 6-issue Introductory Subscription for only $15. Simply clip and mail the coupon with your $15 check or money order. Or, if you wish, you may charge your subscription to your Master Charge or Visa account.

Regular Features of the Silver & Gold Report...

In-depth interviews with a broad range of experts in silver and gold such as Dr. Franz Pick, T. J. Holt, Ira U. Cobleigh, Henry Hazlitt, Dr. Nicholas Deak and John Exter • Analyses of price movements • Price charts • Relevant economic data • Book reviews • Editorials • In-depth articles about silver and gold.

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September 1980/Vol. 12, No. 5

reason

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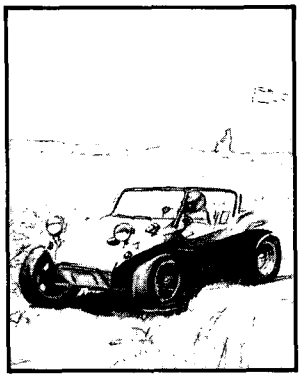
Island revolt 24



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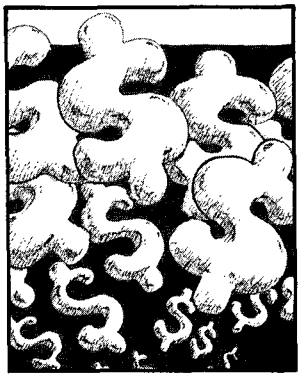

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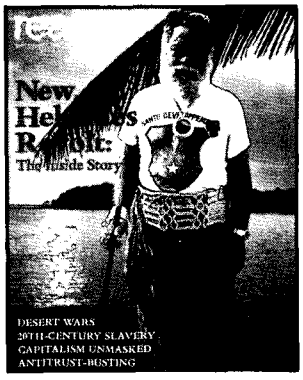

Cover photos: Jack Wheeler and London Express

WUN NIU FELA KUNTRI
They may speak pidgin English and sling bows and arrows in the New Hebrides, but Jimmy Stevens and his followers have an exciting vision of the kind of "niu kuntri" they want. Reason*'s reporter traces the people and ideas behind the move for independence.*
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If defenders and opponents of capitalism figured out what it is they're talking about, they might find some surprising areas of agreement.
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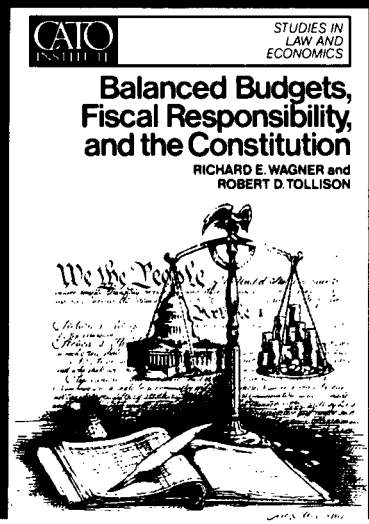
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RICHARD E. WAGNER and ROBERT D. TOLLISON

BALANCED BUDGETS, FISCAL RESPONSIBILITY, AND THE CONSTITUTION
Richard E. Wagner and Robert D. Tollison

The authors examine the question of whether the United States should adopt a constitutional amendment to balance its budget. Wagner and Tollison analyze the economic arguments underlying the pro-balanced budget position and determine the idea of a balanced budget is both fiscally sound and democratically necessary.

Cato Public Policy Research Monograph No. 1

$4.00 Paper.
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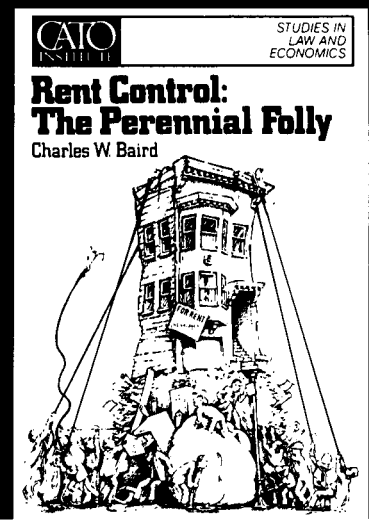
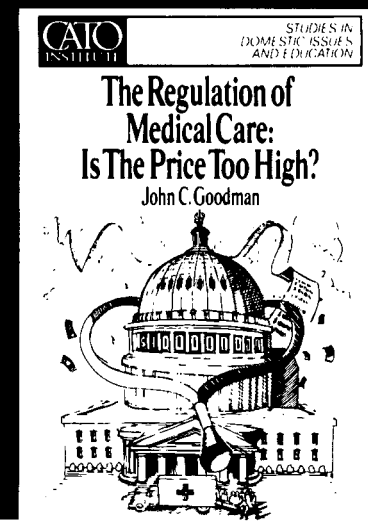


RENT CONTROL: THE PERENNIAL FOLLY
Charles W. Baird

The author examines the rent control boom currently underway in the United States and finds that rent control measures universally fail to achieve their stated objectives. Beginning with the fundamentals of supply and demand for housing, Baird expands his analysis to include questions of equity, housing availability, and special interest manipulation of regulatory statutes. He shows that high housing costs do not occur in a vacuum but are related to many other governmental policies including zoning, housing codes, and environmental controls.

Cato Public Policy Research Monograph No. 2

$5.00 Paper.
112 pages. Bibliography. c 1980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STUDIES IN DOMESTIC ISSUES AND EDUCATION
The Regulation of Medical Care: Is The Price Too High?
John C. Goodman

THE REGULATION OF MEDICAL CARE: IS THE PRICE TOO HIGH?
John C. Goodman

The author surveys the ways in which the federal and state governments regulate health care and finds that virtually no aspect of medical practice is not significantly influenced by them. He shows that the government has permitted the AMA to become a successful cartel whose primary objective is to increase the incomes of doctors. Government reaches into hospital administration, nursing care, paramedicine, and medical insurance, and, as a direct result, medical costs have skyrocketed.

Cato Public Policy Research Monograph No. 3

$5.00 Paper.
120 pages (approx.). Bibliography.
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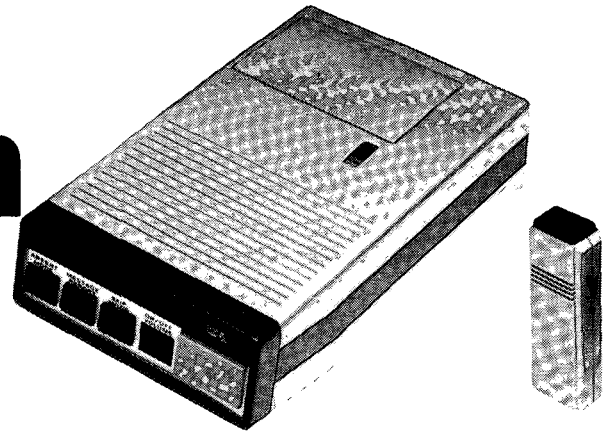
Friendly Comparison



Can JS&A offer a better telephone answering unit than the first one we introduced? Here's the story of American competition at its finest.

We've seen them all. Every telephone answering unit has its advantages and disadvantages.

So when JS&A selected our first telephone answering unit three years ago and called it the best remote system available, it soon became one of the most popular units on the market. Since 1976, JS&A has sold thousands of them.

SERIOUS COMPETITION

But that was three years ago. It finally took an enterprising company called Olympia to develop and introduce what we would call the first serious competition to our first telephone answerer.

So JS&A had a dilemma. Here we were, with an excellent relationship with a major supplier, and yet our reputation demands that we offer our customers only the most advanced products. Do we continue to carry both units, or do we break off relations completely and introduce a competitive model? To make the decision more difficult, you first have to understand the new technology in the Olympia unit.

A FAIR COMPARISON

The Olympia Master Telephone Recorder is a microprocessor-based system with a few features that make it a more advanced unit than the industry leader.

But to provide a fair comparison, there are a few disadvantages with the Olympia. The Olympia does not have a call counter that tells you at a glance how many calls you've received. And its outgoing announcement is not recorded as fast as with our first unit. But there are so many other features and advanced technology that the Olympia deserves your consideration.

ERASE OR SAVE

Most remote units and the Olympia have remote pagers. When you want to retrieve your messages, simply hold the pager up to the telephone, press a button, and the telephone answering unit rewinds to the start of your first message and plays them back.

That's great. But there was a disadvantage to the others. After you listened to your messages, you could not rewind. If you wanted to rewind to the beginning of the tape, you had to call your unit a second time. That's only a slight problem if you're calling locally from a phone booth, but very costly when you're calling long distance. And if you don't call back right away and rewind, you have another problem. Later, you'll have to listen to all those messages you previously heard because the unit doesn't know where the old messages stop and the new ones start.

The new Olympia Master Recorder has solved that problem. You have a choice. You can either hang up after you've heard your messages or you can rewind them to the beginning while you're on the phone.

NO MESSAGE/LAST MESSAGE

Let's say you call in and there are no messages for you. The Olympia has a special beep tone that tells you the moment you call in that there is no message. Or let's say there are three messages waiting for you. After the three messages are played back, another beep tone signals you that you've finished your last message. There is no provision like this on any of the popularly priced units.

YOUR OWN TAPE

The Olympia uses one commercially available cassette tape that will last a few years with normal use. Today's most popular unit uses a built-in tape that will last five years, and costs $17 to replace. With the Olympia unit, you remove the old cassette and pop in the new one which shouldn't cost more than $2.

TAPE SPEED

It costs time and money to listen to your old messages and to rewind. So the Olympia not only improved the concept by giving you a choice, they also improved the tape rewind speed. Now, when you retrieve your calls, your rewind time is faster than many other systems and as fast as the system we formerly sold.

Not only is the Olympia faster, but it measures only 2¼"x 6"x 10" and weighs only 36 ounces. You can place your phone on top of the unit or next to it without cluttering your desk.

We could probably present reasons why the Olympia Master Recorder will pay for itself with just the time you save retrieving messages—but there's more.

SINGLE SYSTEM

You record your outgoing announcement on one track of the cassette tape and you receive your incoming messages on the other side. This single cassette approach reduced the costs of the Olympia below those of the conventional recorders that required two separate record and playback systems. And like other units, when you play back your tape, you hear only your incoming messages—never the outgoing announcement.

To record an outgoing announcement, you simply press the record button and talk into a microphone supplied with the unit. The unit will record a 17 second outgoing announcement and a 30 second incoming message. Our previous unit records a 20 second outgoing announcement and a 30 second incoming message.

AND THEN THERE'S VALUE

Our previous unit sold for $269.95. The Olympia sells for only $169.95—a $100 savings before you even start to use the system.

But don't take our word for it. Order an Olympia from us on our 30-day telephone answering test. Personally see how quickly you can retrieve or rewind your messages without having to call in twice. See how this compact unit fits on your desk. And above all, note the quality and workmanship of this fine piece of equipment.

Then after 30 days of messages, decide if you want to keep your unit. If not, no problem. Just return your unit for a prompt and courteous refund including your $3.50 postage and handling.

If you decide to keep it, great. You'll own the most advanced unit of its kind. The Olympia Master Recorder is sold exclusivly by JS&A. We're America's largest single source of space-age products, and we have sold more telephone answering units than many of our competitors combined. We know the market.

MULTI-NATIONAL CORPORATION

Olympia is a multi-national corporation with eight national factory service and service-by-mail facilities—further assurance that your modest investment is well protected.

To order your Olympia, send a check for **$169.95** plus $3.50 postage and handling made payable to JS&A Group, Inc. (Illinois residents add 5% sales tax.) Credit card buyers may call our toll-free number below. We'll send your unit complete with recording microphone, one cassette tape, remote pager, AC adapter, instructions, and a 90-day limited warranty—everything you'll need for your 30-day test.

When we realized that the Olympia was the unit we should market, we called our previous supplier and told them of our decision.

In today's changing times, technology does not stand still. Despite our excellent relationship with our previous supplier, we felt it our obligation to introduce today's most advanced products—even at the risk of losing a valuable supplier.

If you're considering a new telephone answering unit, we can't recommend a better system than the Olympia Master Recorder. Why not order one at no obligation today?

JS&A PRODUCTS THAT THINK®

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BACK ISSUES: Write for back issue list for current prices. Volumes 1-4 are available on microfilm from University of Southern California Library Micrographics Dept., University Park, Los Angeles, CA 90007. Volumes 5 and up are available from Xerox University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Indexed in *Historical Abstracts* and *America: History and Life.*

editor's notes

• INVESTIGATIVE JOURNALISM. We are pleased to present another article—this month's cover story on the New Hebrides revolt—made possible by the Reason Foundation Investigative Journalism Fund. Thanks to the resources of this fund, as soon as the first reports from the South Pacific started coming in, we were able to assign a writer to the task of digging into the background of this fascinating story, interviewing all the key participants. The result is by far the most complete article on this complex revolution and the parties involved to appear anywhere in the world. If you appreciate this kind of journalistic capability in REASON, you may wish to contribute to the Fund. Your tax-deductible gift should be made payable to the Reason Foundation and sent to Investigative Journalism Fund, The Reason Foundation, 1129 State Street, Santa Barbara, CA 93101.

• SCHOOL PROBLEMS. One of the best "My Turn" columns *Newsweek* has ever published was on June 9, "The Public-School Monopoly." Written by law professor John Coons, it makes a thorough case for abolishing monopoly public schooling in favor of free choice of marketplace schools. Whether one agrees or disagrees with Coons's proposed voucher system alternative, the article makes a convincing case. For those seeking to opt out altogether, a good source of basic information on home schooling is the Spring 1980 issue of *Tidbits,* put out by the National Association for the Legal Support of Alternative Schools (P.O. Box 2823, Santa Fe, NM 87501). It's available to members ($20/year); others can probably obtain a copy in exchange for a donation to this worthwhile organization.

• MOON TREATY IN EUROPE. Advocates of space industrialization in Europe have set up the European Space Promotion Organization, a coalition of firms, politicians, and private citizens. Among its first actions has been to publicize the potential of the proposed Moon Treaty to prohibit private enterprise "throughout the Solar System, other than on Earth." The ESPO is urging "all interested in spaceflight, *and...all who value private enterprise* to immediately write their M.P. and M.E.P." to point out the threat that this represents. Honorary chairman of the ESPO is David Atkinson, a member of the British Parliament.

• LEC MOVING? Our sources in Florida report that it is rumored that the Law and Economics Center—the widely respected institute headed by Reason Foundation advisory board member Henry Manne—will be leaving the University of Miami. Rumored destination: Atlanta's Emory University. The move would take place sometime after June 1981.

• HELPING A NEW COUNTRY. Readers of this month's cover story on the emerging new country of Vemarana may wonder if there's any way they can help to ensure its survival. We've been told that the Vemaranans are counting on American investment, and a group of them has set up a development corporation to upgrade the airport, harbor, and communications facilities of Espiritu Santo to facilitate investment and settlement. Those interested may inquire of Jim Giovanni, Vemarana Information Office, BP 1654, Noumea, New Caledonia. Telephone 687 27-6981.

• GETTING PUBLISHED. Several REASON contributors have had articles published elsewhere in recent months. Contributing editor Mark Frazier's "Inner-City Schools That Work" appeared in the June *Reader's Digest* (making Frazier's fourth appearance thus far in that periodical). Money columnist Steve Beckner had a piece on gold (coauthored with Bogdan Kipling) in the April 25 edition of the *New York Times,* a two-part article on the silver crash in the *Baltimore Sun* (May 1 and 2), and another on foreign currencies in the May issue of *The Washingtonian.* And Brickbats columnist Tom Hazlett turned serious for the cover story of the May 26 issue of *Inquiry*—an impressive piece on rent control.

H. Peter Metzger, author of "Environmental Activists Capture Washington" (May 1979), has had two of his articles reprinted as pamphlets. The original speech version of his REASON article (titled "The Coercive Utopians: Their Hidden Agenda") and his newer piece, "Government-Funded Activism: Hiding Behind the Public Interest," are both available from his employer, Public Service Company of Colorado. If you write for copies (Room 940, P.O. Box 840, Denver, CO 80201), tell him REASON sent you.

—R. P.

Credit Secrets Your Banker Doesn't Want You To Know—

Today best-kept money secrets let you borrow below the Prime Rate, instantly and confidentially

We have just experienced the worst *credit crunch* in U.S. history. The Prime Rate—the interest charged major corporations—rose rapidly to 20 percent. Meanwhile, however, *insiders* were still borrowing thousands of dollars *far below* the Prime Rate! For the insiders, there was no credit crunch! You see, they had taken the proper steps before the crunch to establish their little-known sources for overnight borrowing power.

Now you can profit from these inside sources!

Whether you need money now or not, you must know about some incredible new sources, available nationwide, which will lend you thousands of dollars at only 12 percent interest!

You see, there's been a quiet revolution in the banking and credit world. Increased competition among lending institutions has opened up hundreds of personal credit opportunities—on amazingly favorable terms for the borrower. The result of this new era of "easy credit" is that it's possible to borrow hundreds of thousands of dollars—literally overnight and for any purpose whatever!

Let me list for you some of the tremendous benefits of the new sources of capital:

- Funds are practically unlimited. Raise $25,000, and even more, depending on your income.
- These loans are totally *unsecured,* and no cosigners are required in most cases.
- You can qualify for these instant loans without ever sitting down with a loan officer. Everything is done by mail! No demands for balance sheets, business plans, P&Ls, tax returns or other confidential documents.
- The funds are available at any time—even during periods of "tight money."
- It doesn't matter where you live—these loans are now available *nationwide.*
- These loans may be used for *any* purpose. The lender is completely unaware of their purpose. Use the money for capital outlays, paying outstanding bills, investments, consumer goods, cars, new office or plant space, a brand-new venture—you name it!
- Interest rates are extremely favorable—*consumer* rates for *business* loans! Business interest rates have been skyrocketing lately—but nationwide these unique loan sources begin at 12%! No points to pay either!
- You don't pay a penny in interest until you actually borrow funds. And even then, interest charges begin several days later. There's never a penalty for prepayment.
- The repayment schedule is extremely flexible. It's even possible to borrow the principal *and* the interest indefinitely if you're in a pinch—while *improving* your credit rating! and there are no penalties if you pay off the loan early.
- Last but not least, these amazing loans have tremendous tax advantages. The interest, of course, is tax-deductible. And by borrowing to pay business expenses early, you can simultaneously speed up deductions and defer tax liabilities into the next tax year!

THE SOURCEBOOK YOU NEED TO CAPITALIZE ON THE BANKING AND CREDIT REVOLUTION

But how do you track down these amazing new sources of capital? How do you discover the best opportunities—and avoid the expensive mistakes?

The answers are now available—for the first time—in one information-packed book: THE INSIDER'S BANKING & CREDIT ALMANAC, by Mark Skousen.

This newly revised manual tells you everything you need to know. Facts. Figures. Names of lenders. Addresses. The best opportunities. Pitfalls to avoid.

But that's not all there is to THE INSIDER'S BANKING & CREDIT ALMANAC. There is much more in this remarkable volume. Here's a brief sampling of the rest of the contents:

Interest-paying checking accounts. You probably keep your liquid business funds in a checking account that pays no interest. Well, here are complete details about eight different types of checking accounts that *do* pay interest—from 5% to 16% annually! (The interest on one kind of account is *tax-free!)*

Money market funds. These new mutual funds function like interest-paying checking accounts—and interest is usually 12% or more! (The one hitch: the checks you write must be for over $250 or more.)

Merrill Lynch's Cash Management Program. If you have $100,000 invested in stocks and bonds through Merrill Lynch, you can borrow up to $40,000 from them for any purpose! Interest rates ate competitive too. You always have an automatic credit line for half the cash value of your portfolio—and *there's no upward limit!*

Credit cards. Which credit card is best for your business? Are you aware of all the *new* features and benefits offered by the highly competitive credit card outfits? Check guarantees, free cash advance checks, free flight insurance and many more!

Financial privacy. How the privacy of your financial affairs if being threatened—and what you can do to protect it.

Foreign banks. U.S. dollar accounts in Canada. 20% interest in Mexico and Switzerland, and many other terrific opportunities abroad.

YOUR MONEY-BACK GUARANTEE

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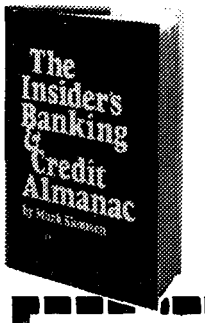

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Stamping Out Sin?

editorial

Tehran, July 3—As the angry crowd cheered, two men and two women were buried up to their chests, white cotton hoods draped over their heads. At a signal from the mullah, the crowd let loose with a barrage of rocks. Ten minutes later, all four were dead. Only one of the four had harmed anyone—allegedly, he had raped a young girl. The other man was simply a homosexual, while the women were accused of operating a brothel.

Summary executions for sexual offenses are only one manifestation of the Islamic fundamentalism that has been given the force of law in today's Iran. Alcohol, card playing, live music, recorded music, mixed swimming (both sexes in the same pool), and mixed wedding parties—all have been declared illegal.

The penalty for sex between consenting adults who are not married is 80 lashes. Should one of them be married, the ante is upped to 100 lashes for the man and death for the woman. For selling drugs, the penalty is death by firing squad.

Enforcing Iran's new morality are the Center for the Abolition of Sin and the Ayatollah Sadegh Khalkhali. The former deals with sex and alcohol, the latter with drugs. Khalkhali brags of having meted out the death sentence to over 400 drug sellers.

At these tales of fanaticism, most Americans feel an understandable revulsion, together with a certain smugness. We, after all, long ago realized that a fundamental protector of liberty is the principle of separation of Church and State. Under this doctrine, set down in the First Amendment, matters of religious belief—such as personal morality—were recognized as the province of the individual conscience and of whatever voluntary religious and social organizations people wish to form. The law—the power of compulsion—was to be restricted to matters involving the forcible or fraudulent interference with someone else: murder, rape, burglary, extortion, etcetera.

True, this distinction has never been maintained absolutely. The United States has gone through periods in which one or another aspect of religious or moral belief was temporarily made enforceable by law—Prohibition during the '20s, censorship of books and movies from the 1870s until the 1960s, and drug laws from the '30s that are still with us. But by and large Americans have agreed with the wisdom of keeping Church and State—morality and law—separate.

There are disturbing signs, however, that support for this principle is eroding. Many of the participants in today's "evangelical revival" seem to be so caught up in their faith that they want to cast their moral views into law. Consider born-again presidential contender John Anderson, who not once but *three times* introduced into Congress a proposed constitutional amendment to wipe out Church/State separation by having the US government subordinate itself to "the authority and laws of Jesus Christ, Savior and Ruler of Nations."

Or consider the formation of the political action group known as Moral Majority. Its founder, the Rev. Mr. Jerry Falwell, declares forthrightly that "the basic moral issues such as homosexuality, abortion, and pornography have become political issues." In other words, he and his followers seek to use the force of law to compel people to follow *their* ideas of morality—just like the mullahs in Tehran.

Even the Republican National Convention jumped aboard this anti-sin bandwagon, endorsing a constitutional amendment forbidding abortion. And GOP nominee Ronald Reagan has long made clear his support for laws against drugs, gambling, and prostitution, all the while maintaining that government should not protect people from themselves (see "Inside Ronald Reagan—a REASON Interview," June 1975).

This type of muddled thinking is a tragic mistake. Thomas Jefferson and our other Founding Fathers recognized that religious liberty is an essential safeguard against tyranny—whether of the minority *or* or a majority ("moral" or not). The whole idea of a bill of rights is that human beings have certain basic rights that no government and no majority may violate. If this notion means anything, it must include the right to decide such fundamental personal matters as what one ingests, what one reads, and with whom one sleeps.

The fact is that this country and the world are very diverse places. Billions of human beings have billions of personal, individual views on how best to lead their lives. A tolerance for differing personal moral codes is a prerequisite for a civilized society.

On this note, it is ironic to observe that the "primitive" people of the New Hebrides (see this month's cover story) could teach the Moral Majority crowd a few things about civilization. Among the numerous tribes in this archipelago, one can find polygamy, semi-nudity, drug taking (the *kava* ceremony), and homosexuality, each incorporated into the tribes' traditional *custom*. Christianity coexists with each of these practices, and people from the different tribes respect one another's *custom* without hesitation.

The last thing this country needs is a campaign to stamp out sin by force of law. Those who believe certain practices to be morally wrong have every right to state their case in hopes of persuading their fellow citizens to follow their example. But they have no right to impose their views on those who are unpersuaded. It is high time America's conservatives renounced the mullahs within their ranks.

Robert Poole, Jr.

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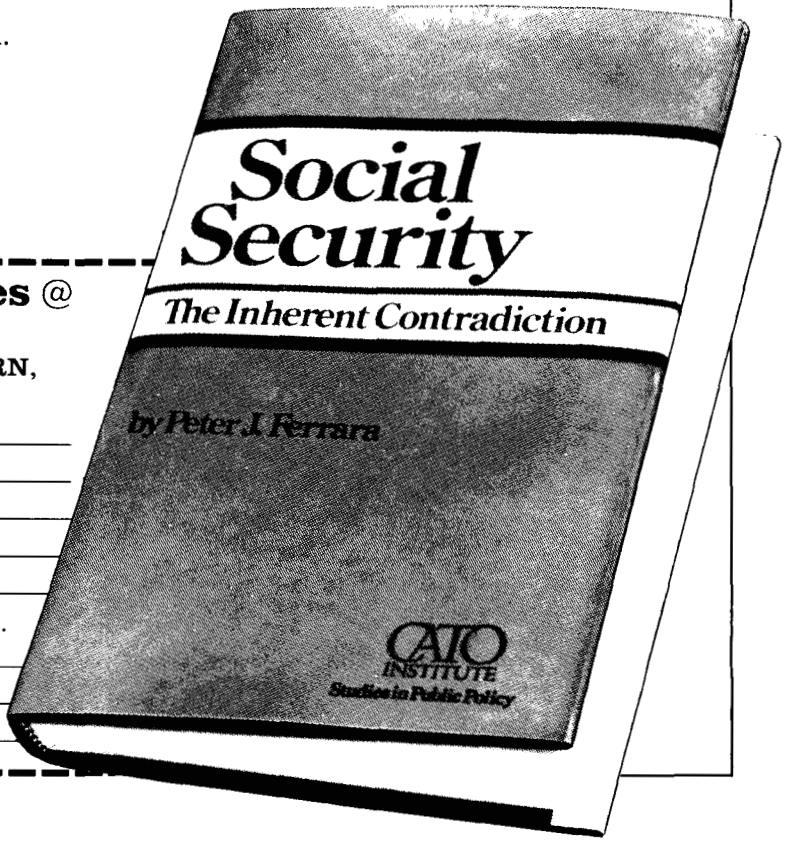

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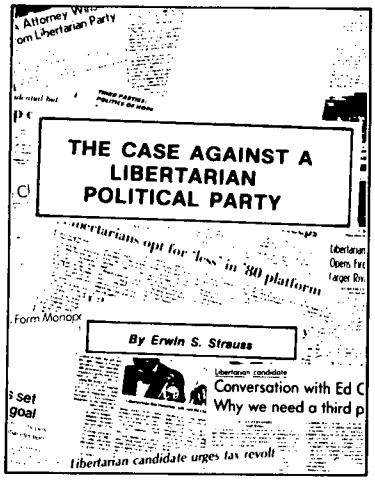

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letters

We Aim to Please

If you have any other information on the new countries mentioned in the July Trends, please either do a story on them or let readers know where to write for further data.

Susan L Culligan
New York, NY

The editors reply: Your wish is our command! See the cover story, this issue.

Enterprising Examples

I enjoyed the article on alternative transit by Robert Poole (July) and hope it gets wide readership and distribution. While we as libertarians cannot be expected to be able to know and say fully how things would be done in a free society, it is clear that the examples Poole gives which exist now—*despite* the regulations and taxes which preempt and discourage such private enterprises—indicate the vast potential of private, voluntary alternatives if they were allowed to operate. Another indication of this can be seen in the private and competing bus companies in cities outside the United States where regulations either do not exist or are not enforced. For example, I have been told that in the city of Monterey, Mexico, there are several competing bus lines traveling on the same routes oftentimes. They are not subsidized by taxes and exist because of the lack of government regulations and controls that we have in most American cities. These bus companies are running profitable and used services in Monterey and the same could be done in this country.

While libertarians cannot predict how free people will choose to solve and handle their problems and needs, existing private alternatives—few and struggling though they may be in our regulated society—do give evidence that private transportation and other services would be taken care of in a free society.

Sam Wells
Los Alamitos, CA

The Economic Wringer

I read Robert Ringer's preference (Interview, July) for eliminating economic restrictions before social ones, should he be forced to choose, and—perhaps because I am sliding inexorably into genteel poverty—I wanted to agree with him. Granted, the idea of making even a hypothetical choice smacks of situational ethics, but then this country is overseen by a situational government, so what the heck, I thought, let's be situational. I tested my opinion by formulating a defense of it to the "man in the street," the fellow who thinks libertarians put economics before people, as if the former were not an activity of the latter. In doing so, I arrived at two defenses not mentioned in Mr. Ringer's interview.

First, some so-called economic restrictions have a social-restriction concomitant. If it weren't illegal to sell drugs, for example, it would not be illegal to use them (assuming a modicum of consistency in the laws). Second, it is generally easier to avoid detection when exercising personal freedoms (that is, breaking restrictive laws) than to avoid detection in the economic sector, where one is more or less on public display and is working with so many levels of people who have bought into the regulatory philosophy of business. As it is, only if we could allow as much time to become acquainted with a potential business contact as we can with a potential friend, would we have a fighting chance of sidestepping government intervention.

Mr. Ringer's comments made me verbalize what I must have known for a long time—that social restrictions have a negligible effect on the life I lead (and I emphasize that I am speaking personally), while economic restrictions are severely impeding my progress toward my professional *and* personal goals. If I also had to choose between lifting one or the other, I would concur with Mr. Ringer.

Kathleen Collins
North Hollywood, CA

Monthly Upper

Congratulations on another fine issue of REASON (July 1980). What an interesting juxtaposition of articles: the interview with Robert Ringer, and the spotlight on Ted Turner! One has the message to spread; the other, the medium and the money; both have courage and principle. I hope they know each other (or both read REASON!). Doesn't the prospect make you *drool*? Think what they could do by joining forces—maybe even reach the "masses"!

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Mel Tappan, "A Statement of Purpose," P.S. LETTER Number 1

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Many thanks for your monthly breath of fresh air, the rejuvenating effect of thoughtful, articulate reassurance that all is not wrong in the world.

Glenn E. Cripe
Chicago, IL

Real Corrections

I enjoyed reading Robert Haisman's article, "Make the IRS Your Partner," in the June issue. However, I am unable to agree with him that a 10 percent investment tax credit is available to the purchaser of real property improvements used in trade or business. I requested our tax department to research this question. They too came to the same conclusion. Perhaps you had in mind improvements made to older buildings converted to office space. Such improvements, not part of the purchase price, are available for the 10 percent investment tax credit.

Donald H. Pickett
Salt Lake City, UT

In Mr. Haisman's June article, he says that a one-time 10 percent investment tax credit is available. That is wrong. The investment tax credit is not applicable on the purchase of buildings or land.

He is also wrong on property exchanges and depreciation. The swap takes the same basis as the original property, and depreciation can't start all over again. If you take capital gain, at 40 percent reporting, you can start depreciation over again—but watch for the new alternate minimum tax.

Absolutely incorrect statements, Mr. Haisman.

J. Alan Cross, Jr., CPA
Coral Gables, FL

Mr. Haisman replies: Both comments are correct regarding the investment credit pursuant to real property. A 10 percent investment tax credit can be had by scheduling fixtures and equipment in a *new business venture* over a seven-year depreciation. Again, I concede the error the way the article was written regarding exchanges. I condensed myself into a box here. What I had in mind was an upwards exchange with considerable "boot" in magnitude of more than five times, which would change the basis.

Economists' Lunchmeat

REASON had better-than-average baloney in the "Special Financial Issue" (June), *but*...An economist is just like a caterer; both fix up baloney fancy so it sells at a higher price (to quote myself!)

Why, oh why, do even the best financial writers use such abstract terms? Do they actually think in those terms, do they try to sound erudite, impress their former profs and each other, or what? If economics were written by businessmen, instead of writers, it would make more sense because they would use different language.

A filling-station operator would say: "Last week the company billed me *X* dollars for a tank full of gas; this week it is more so I raise my prices or lay off Joe there and make my living pumping less gas. I don't just invent prices."

A banker would say: "The car dealers don't borrow enough money to keep our staff paid, what with layoffs at the factory worrying folks so much they won't even consider a new model car, at least at the high rate of interest we have to charge over our cost of money. So naturally we had to drop the interest, whether we want to or not."

An honest politician (know any?) would say: "I'm not so dumb as not to know all these tax increases are killing the country, but if I don't give the voters what they want, I'm out! Everyone seems to have someone who gets a government check, nowadays."

If some market-letter writer wants to do a good turn for the country *and* become an instant millionaire, let him write a book on real-world economics in real-world language. It should sell well, Nell.

Walter H. Carnahan
Greece, N.Y.

Economic Lessons

I'd like to say a few words about John Chamberlain's review of *Economics in One Lesson* (July). I take it you are equating the vandal in this fable with the federal government? If so, vandalism means the intentional wrecking of capitalism (in this case, the shopkeeper). Do you mean, then, that the government tries to wreck the small capitalist intentionally? Sometimes I think so!

Of course, the shopkeeper will repair his window quickly and forgo the new suit. But isn't this done to prevent some thefts of goods from his store, and isn't the cost of a new pane minimal, compared with loss he might sustain? Suppose he delayed the repair and bought the suit anyway?

I take it you mean by the term *transfer payment* the forcing by necessity to make one person buy something for another, such as taxes going to support perhaps our political opponents? In that case it would be *vote buying* wouldn't it? How does the federal government get around the proviso in the fifth clause of the Fifth Amendment, which states, "Nor shall private property be taken for public use without just compensation"? More should be written about this ignominious notion of redistribution of the wealth or the have nots vs. the haves.

William A. Mathews
Sedona, AZ

Stiff Competition

Your mention in the July issue that a comprehensive listing of libertarian periodicals will appear in *The Next Whole Earth Catalog* was exciting to read. So what if the REASON crowd is referred to as having "the air of a slightly stiff suburban Rotarian loosening his tie while he excitedly discusses abolishing the income tax." Rotarians are involved in a number of worthwhile projects, such as sponsoring young students from foreign countries with educational stipends. Furthermore, it's perfectly proper to unwind with a correctly mixed martini now and again.

John C. Elmer
Minneapolis, MN

FAA Foul-Ups

I was surprised to find REASON echoing the statist claim that government solves problems instead of creating them. Your implied agreement (Editor's Notes, June) with the FAA that it has upgraded air safety procedures by establishing a Terminal Control Area (TCA) at San Diego places you in just such a position.

Of course you are correct that government forces tend to mobilize after a major disaster as opportunistic meddlers see a chance to sell the public more intervention. Such is the case in San Diego as a direct response to the PSA-Cessna collision and crash on September 25, 1978; however, the following points disenfranchise any claim that increased airspace control by the feds enhances safety.

It is well known by aviators and flying buffs as well as openly admitted by the FAA that, had a TCA been in effect at the time of the aforementioned crash, no different procedures would have been followed by either aircraft. The causal factors were not technical but political—or, more precisely, bureaucratic. Taxes, extracted mainly from general aviation users and airline passengers (the airlines themselves contribute little), have not been allocated as originally promised. Instead of fulfilling promises to the taxpayers and spending the almost $4 billion in the Airport and Airway Trust Fund to expand and improve facilities to meet increased demand, many of the funds have

been inappropriately siphoned off to cover overspending by the FAA for operations (paying air traffic controllers' and bureau "supervisors' " wages—controllers are paid as a function of how many aircraft they can control; if the spider builds a bigger web and traps more flies, he gets fatter!).

Specifically in San Diego: improved precision landing systems were delayed being installed at general aviation airports such as Montgomery and Gillespie. Consequently, the small planes had to go to Lindbergh Field and be subjected to conflict with larger aircraft in order to satisfy required (by the FAA, of course) training and currency in these precision approaches. The misdirection of funds and general foot-dragging by the Department of Transportation set up the conditions at San Diego that precipitated the tragedy.

No statistical data supports the assumption that TCAs improve aviation safety. It certainly has been demonstrated that the airspace immediately adjacent to, and sometimes through, TCAs is more prone to midair accidents. My assessment is that TCAs *redistribute* safety to the benefit of the air carriers and to the detriment of general aviation. Even though I agree with your basic evaluation that the FAA and DOT are doing a poor job of meeting their responsibilities, I submit that a larger FAA may not result in an overall improvement in safety. It may, in fact, very well induce accident-causing factors as a consequence of growth-limiting policies.

John W. Forbrick
Fairfield, CA

Mr. Poole replies: Mr. Forbrick may be correct about the lack of data on TCA effectiveness. And his points about FAA's misplaced priorities are well taken. I certainly did not mean to give the impression that I favor larger FAA budgets. The urgent need is to transfer the agency's vital functions from the present political hacks to competent private-sector organizations, as stated in my original article (Jan. 1979).

Nuclear is Spoiled

Years ago, before I learned more about nuclear power, I was against it. After I learned more about it, I found I could be neither for nor against it. The more I have thought about the nuclear issue, the more I have affirmed a conclusion that one misses the point by even discussing nuclear power in terms of being "for" or "against" it. The nuclear debate is misdefined. It is not a question of its being good or bad. It is a question of how one determines it—or, more accurately, whether in our present political context we even *can* determine the value of nuclear power.

Look at the essence of the popular nuclear debate. On the one side are those who say nuclear power is too dangerous—with their line-up of experts. On the other side are those who say it is plenty safe—with *their* line-up of experts. Most laymen—to their credit—can make little sense of it. The emotionalism and noncontextual nature of the nuclear debate only add to the danger of making a wrong decision about nuclear power. Technical arguments are virtually meaningless in a climate where objectivity is necessarily undercut. Under those conditions, I would hate to see either side "win."

We have "free enterprisers" who see nothing wrong with maintaining subsidies and other government involvement. We have the socialists who want to nationalize the industry. And we have those who, for various reasons, just want to close it down. Clearly, it is not possible to rely on the government to objectively determine the course or safety of nuclear power; it is too involved in promoting it. Neither can we trust the centralized, government-subsidized industry to be objective; it relies too much on government for its present form of existence. It is a cozy relationship which resists change. And, of course, if we just kill the industry, we will *never* determine its worth. To keep the present system, to socialize it, or to stop it cold all share an ancient common denominator: fear of freedom.

There is only one recourse, the open market. Nuclear operators and the government need to be separated. Government should end subsidies and protection and artificial safety-mongering. The industry must accept full costs and liability for operations. It is a tall order for the entrenched statist mentalities of policymakers and industry heads. But only under a free market will we truly "know" nuclear power. Now, we are like parents of a spoiled son, wondering whether he will ever reach maturity—while we continue to coddle and chide him, spoil him even more, and ask why we find a prediction of his future ever less certain.

Ernie Ross
Springfield, OR

Questioning Gofman

The nuclear power issue requires further discussion in the libertarian media, provided that it is based upon a firm understanding of libertarian philosophy.

(Continued on p. 64.)

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brickbats

☐ **Speaking of which,** it is election time for America. Ronald Reagan, the GOP's Great Right Hope, is now delighting cynics everywhere by spicing up his calls for deregulation and "free enterprise" with endorsements of Chrysler white-collar welfare and cries for improved federal subsidies for the farmer vote—er, uh, for the preservation of the American Farm Family. As of this writing, Senator Kennedy continues to scream about something or other, but what exactly it is, or how long his vocal chords can withstand such pressure, is unclear. John Anderson is preaching the gospel of New Ideas, and if his campaign staff works day and night around the clock right up until election day they may actually uncover an Anderson position that was not first promoted by the Carter administration. The one that they may indeed end up advancing as an original, nonrecycled Carterism is Preacher John's recent call for selective investment in new plants and equipment: "Not every dollar invested today really helps the economy. We don't need any more Hula-Hoop factories." This must certainly be credited as one of the clearest, most honest attacks upon the American consumer by any presidential candidate going.

And as for the man who is currently occupying the seat of our government, well, well, well. Here he is, telling everyone that his worthy independent opponent John B. Anderson is little more than a late-fall mosquito buzzing around for one last prick before the end. He'll just go away, and we don't even think about him here at the White House at all, the chief assures us—all while his battalion of $250,000-a-year lawyers trail the Anderson campaign around the country like a drunk following a beer wagon, filing suit to knock this harmless little bug off whichever ballot they sense better than a one-in-a-hundred chance on. Was it Mr. President James Earl Carter who announced in 1976, "I'll never lie to you"? Well, no wonder! He doesn't have to! He has hundreds of top-ranking aides to do that job for him!

☐ **Who says entrepreneurship** is dead in America? Whoever it is, they aren't on the mailing list of the American Alliance of Small Businesses, a group now working to revive just that vital spirit of creative risk taking and private initiative that made this country great. Touring 43 cities nationwide, the AASB is proud to present "comprehensive workshops on GOVERNMENT LOAN AND LOAN GUARANTEE PROGRAMS...New Opportunities in Today's Economy." In a claim that is hard to quibble with, they boast, "Understanding government programs designed to stimulate today's economy will mean the difference between prosperity and bankruptcy for thousands of business professionals."

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- "Construct or remodel rental housing with a 7½% loan and obtain a 20 year government subsidy contract to assure rent income,"
- "Borrow for many, many other purposes from governmental programs with interest rates as low as 2%."

They'll introduce you to "self-made" millionaires who found properties losing so much money they qualified for stupendous government loans and subsidies and a whole host of experts in the fields of bureaucracy milking, taxpayer squeezing, and public trough slurping. These pros know the race and can teach YOU "how to be first in line" for government gravy.

And what could be more pro-American than this? As the AASB assures us, they are "a non-profit organization engaged in preserving the system of free, competitive, and private American business."

☐ **The former minister** of justice for the National Liberation Front (as in "Ho Ho Ho Chi Minh—The NLF is gonna win") has decided to continue the "struggle for freedom." In other words, he has defected to the West. Battling Western "imperialism" for years as a high-ranking operative in the Communist movement, Truong Nhu Tang has boat-peopled himself to France where he gladly prefers punching a time-card at the Michelin tire factory to life in Socialist Heaven. "Things in the South [Vietnam] have never been as bad as they are now," he moans. "Current repression is far worse than it was in Thieu's day, and now, in addition, there is nothing to eat." The work of capitalist roaders! Well, not by Mr. Tang's estimate: "Hanoi officials blame the war, defoliation, the Chinese and the Americans—all except the real culprits: themselves." But then old Tang gives us a vital clue to the cause of the economic apocalypse. "The real reason," he notes, "is that the peasants have decided, as a form of protest, not to raise any food except what they themselves need." Ah hah! So it *is* capitalist decadence that's at fault, after all!

☐ **Mr. Tang will be glad** to find his newfound home, France, marching to a different drummer. It isn't that they didn't *try* socialism; certainly their government's effort to produce a profitable supersonic transport was herculean. In addition to pouring billions down the drain to build and not be able to sell the central planner's aviation brain-child, Air France is now rushing out to buy the three remaining Concordes at the steep price of three-for-a-franc (about 8 cents apiece). As one Air France official noted, "They certainly are not worth much more than that. One franc apiece would be too much." Absolutely correcto. The only reason Air France was able to go as high in the bidding as it was, of course, is that its *operating* losses will be subsidized by the French government.

☐ **But socialism** may not be all that bad. Take Russia [please]...As *Newsweek* reports the Soviet progress: "Disturbed by the rising level of youthful discontent, the Soviet Government is trying to defuse it by encouraging kids to dance, dance, dance. New discos proliferate faster than bouquets at Lenin's tomb; at last count, the Komsomol was operating 260 dance clubs in Moscow alone, more than double the number two years ago. The youth league, which is supposed to spread cultural "enlightenment," now interprets that duty very freely. At one recent evening in the House of Teachers Cultural Center, the "educational" content offered was a disco fashion show; while slides of John Travolta flickered across the screen Komsomol members modeled such decadent designs as green satin jumpsuits for men and revealing sequined sunsuits for women....The scene is even less square in the city's disco cafés, which are open to all. At the "Little Snowstorm," the throngs besiege the bouncer-doorman with a frenzy that would do justice to New York's Studio 54. Inside, they pogo to punk rock and sip champagne concoctions (at $4.50 a drink....)" But don't be fooled—there is still a strong scent of communist influence: "outside they brawl on the sidewalk."

—Thomas Winslow Hazlett

"It's just a matter of time before the President seals your safe-deposit box and confiscates your silver and gold." —Dr. Franz Pick

"Safe-deposit boxes are NOT the ideal place to store silver and gold," warns Dr. Franz Pick, world-renowned currency authority.

"Above all, you cannot visit a safe-deposit box over a weekend. In many countries—during monetary crises or before devaluations—renters of safe-deposit boxes have gone to their bank on Monday, to find that their boxes were sealed and now could be opened only under the noses of the authorities."

The Precedent Is There

This may seem far-fetched to you. Perhaps you think that this could never happen in America. But the precedent is there. The United States Government already confiscated its citizens' gold once this century—in 1933.

Moreover, under Executive Order #11490, (Assigning Emergency Preparedness Functions to Federal Departments and Agencies) once a declaration of "national emergency" is made, the President can:

- Prevent transfers of money outside the United States;
- Freeze your checking and savings accounts;
- Seal all safe-deposit boxes and *confiscate your silver and gold.*

"It's no longer far-fetched"—Dr. Pick

"And let me remind you," warns Dr. Pick, "that President Carter has already used some of his national emergency powers when he froze Iranian assets. And again, a few weeks later, when he suddenly suspended futures trading in oats, wheat, soybeans, and corn because of the Afghanistan crisis.

"It's no longer far-fetched that one Friday afternoon President Carter will simply declare the Executive Order to be in effect. On Monday, you'll find your safe-deposit box sealed so your silver and gold can be surrendered to Washington."

What Should You Do?

How do you protect your assets when the government has vast, arbitrary power? Should you take a trip to Switzerland and open a safe-deposit box *there*? Buy Swiss Francs? West German Mark? Or should you turn your silver and gold into Dollar-denominated assets? Just what should you do?

"I can tell you."—Dr. Pick

If you want answers to questions like these, there's only one place to turn. It's a monthly report published by the man who's probably the most famous—and controversial—currency analyst in the world today. The name of the publication is the PICK WORLD CURRENCY REPORT. Its publisher is Dr. Franz Pick.

On any one day Dr. Pick may be helping a real estate developer acquire cheap Peruvian Soles or Brazilian Cruzeiros to buy property in South America; showing an Australian manufacturer how to hedge against further depreciation of the Australian Dollar; showing a Swiss holding company where to buy high-yielding South American money-market instruments; assisting an American corporation in buying tin at less than the world market price by using Thailand Bahts; or providing businessmen and top government officials with the realistic free-market rates for currencies.

Dr. Pick has lived through several runaway inflations in Europe. He not only survived financially—he prospered.

Dr. Pick knows the causes of impending crises—and the consequences. He knows how to maximize your chances for your monetary survival.

In the monthly PICK WORLD CURRENCY REPORT, Dr. Pick—and his personally trained staff—discuss such topics as:

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- How the Soviet-bloc nations profit from the destruction of the Dollar.
- At what level will the gold price stabilize.
- Why the government will attempt price controls on gold. What it means for the economy and you.
- How Washington uses its power to *de facto* nationalize American banks. The impact on you.
- What is the single worst "investment" to put your money into? (Hundreds of thousands of Americans buy this "trash.")
- Is OPEC already set to drop the Dollar as the monetary unit for oil payments?

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trends

The Pursuit of TV Happiness

With a misguided conception of patriotism in tow, the Canadian government is refusing to license American pay-TV companies in Canada on the grounds that they do not contain enough Canadian-produced material. Canadian-produced programs are not, however, what the Canadian public seems to desire.

About once weekly in the last 18 months, the members of one or another remote Canadian community have scrounged up enough money to purchase jointly a large dish antenna. With the antenna, they can receive and rebroadcast signals from the US Satcom I satellite, including most regular US TV shows *and* pay-TV (the most popular being Home Box Office). Some 200 isolated villages, mostly in northern Ontario and British Columbia, are thus challenging the governemnt, as well as breaking various international treaties.

The villagers say they would be glad to subscribe to pay-TV ($8.50 a month across the border in Washington state) if it were legal. But it isn't, and so they ignore the Intelsat Treaty and a bilateral US-Canada pact, both prohibiting satellite signal interception. And they've tied the hands of the Canadian Radio-Television and Telecommunications Commission, the agency responsible for such things, by thus making almost every member of the community a "criminal."

When it comes to getting *Charlie's Angels,* it seems, the spirit of entrepreneurship is alive and well!

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An Unfair Doctrine

At a press conference on the First Amendment, CBS chairman William S. Paley warned the print media that new technology is making them as vulnerable to the curtailment of their First Amendment rights as broadcasters now are. Paley said he now maintains a "purist viewpoint": the First Amendment either applies equally to all media or applies not at all.

The print media, he noted, have not been as actively opposed to the Fairness Doctrine and other equal-time broadcasting provisions as broadcasters are because they consider themselves in a separate category. Now, however, the increasing use of cable and satellite systems to print and deliver the news risks bringing print media under the control of the Federal Communications Commission—and such little goodies as the Fairness Doctrine. Congress has required, for instance, that candidates for federal office have equal access to the airwaves.

The purported rationale for the special control over broadcast media is the alleged scarcity of broadcast opportunities, an excuse Paley pooh-poohed. When the FCC was created in 1927, he said, there were 677 broadcast stations and 1,949 daily newspapers in the United States, whereas today there are 9,774 broadcast stations and 1,756 daily papers. It seems that *print* media are the ones that are scarce today. And so, proposed Paley, all government rules on the content of broadcasting should be wiped out. The role of the FCC? Simply to make sure stations keep on their assigned wave length, Paley said.

Free Press: 1, Unions: 0

When Britain's Trades Union Congress (TUC) declared a national "day of action" on May 14 to protest the economic and social policies of the Thatcher government, it expected to deprive Britishers of, among other things, their daily newspapers—written, printed, and delivered by various union members—for a painful day. What the TUC didn't count on, however, was the Freedom Association, which printed and delivered 250,000 copies of the *Free Nation,* made over from its usual members-only, monthly format to be as much like a daily as possible. It featured news, sports, a TV guide, a crossword, and even, alas, the *de rigueur* "girlie" picture.

And it was a great blow to the striking unionists. As one beleaguered news agent gleefully said, "I've been waiting for years to get my own back on the unions." The operation also attracted new members and supporters to the Association.

The Freedom Association began publishing the *Free Nation* in 1976 to help promote its goals. Among these are the freedom to choose whether or not to join a trade union; the right to private ownership; freedom from oppressive, confiscatory taxation; and freedom to engage in private enterprise.

Project Private Enterprise

June 24, Fremont Airport, California—After a crowd of several hundred spectators sang out the 10-second countdown, the space engineer at the control panel pushed some buttons and fired the four engines of a tied-down X-3 rocket for 30 seconds—and sighed with relief when they functioned smoothly. Sounds like the plot of any good grade-B movie, or perhaps a day in the life of a NASA engineer, doesn't it? But this particular story has a pleasant twist: the space engineer is one Robert Truax, a former government rocket expert, now working on his own; and the $1 million budgeted for the project comes entirely from the pockets of some 38 Chicago business executives and space enthusiasts.

Dubbed "Project Private Enterprise, Inc.," the venture, Truax says, is designed to: (1) prod the aerospace industry into taking a more entrepreneurial role in space exploration, instead of functioning as mere government contractors; (2) prove that straightforward technology can solve seemingly difficult problems; and, (3) demonstrate to Congress the widespread support for an expanded space program. Truax bought his engines for $115 each at a salvage shop—they had

originally been built for the Air Force Intercontinental Ballistic Missiles in the 1960s for $70,000 each. Parts for the rocket come from surplus government equipment, custom-made hardware, and over-the-counter gear.

Each engine has a thrust of 1,000 pounds, which is expected to push the X-3 rocket up to 110,000 feet at a top speed of 2,400 miles per hour. At the peak point, fuel supplies will be exhausted and the rocket should continue upward until it reaches about 50 to 60 miles above earth. After it coasts downward, a series of parachutes will land it in the Pacific Ocean. Total flight time: about 15 minutes.

Truax has received pilot applications from about 200 people, and he's encouraging women to apply because of space limitations—and, he says, because the United States has not put a woman in space yet. Truax says the length from the astronaut's back of the hip to tip of the kneecap must be under 25 inches to fit comfortably into the cramped capsule. The pilot's seat is a simple, small padded stool.

The cabin will not be pressurized, and the astronaut will not wear a pressurized suit. These two facts are already causing some spoilsports to mutter about sending someone off without proper safety precautions. But, happily, the obviously voluntary nature of the job seems to mollify most aerospace officials, even if they are a bit wary. Glynn Lunney, a space shuttle manager for NASA, says that there are no laws to prevent Truax from flying his rocket. Besides, he notes, "Look what the barnstormers did for the development of aviation!"

Changes in Mozambique

After winning independence from the Portuguese as a Marxist state in 1975, Mozambique is now curtailing some government control over small and medium businesses and is looking for investments from Western multinationals. A major impetus for this critical look at internal policy was the recent takeover of neighboring Zimbabwe (Rhodesia) by ally Robert Mugabe, who waged his guerilla offensive from Mozambique and is friendly with its president, Samora Machel. Before Mugabe's takeover, Mozambique had reportedly had to spend much of its time and resources fending off Rhodesian raiding parties.

The Portuguese left Mozambique in 1975 as a country with 12 million overwhelmingly uneducated and unskilled farmers. They also left a national debt of $640 million. Today, harvesters and tractors lie idle, because no one has the skill to maintain them. Agricultural production on the nationalized farms is down by

Is the Free Market Politically Unrealistic?

That is what Members of Congress and their staff believe.

The Council for a Competitive Economy is the only business organization in Washington making *a strong, principled argument* for the free market. But we have been told over and over, even by sympathetic Congressmen, that although our arguments for the free market are convincing and persuasive, "the free market is politically unrealistic."

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The Council for a Competitive Economy is a national membership organization of businesses and individuals dedicated to the maintenance of a free market economy, distorted neither by taxes and regulations nor by protection, subsidies, and special privileges for business. We have a program to change the common perception of political realism—to break the monopoly on the *moral initiative* that has been used so effectively for years by the enemies of capitalism.

Our objective is to make the ethical case for the free market:

☐ The right to be in business and to earn profits;

☐ The essential justice of "capitalist acts among consenting adults," to use Robert Nozick's phrase,

☐ The destructive consequences of subsidies, regulations, bailouts, and tariffs.

The arguments the Council for a Competitive Economy is making in Washington are those that other pro-business organizations are afraid to make, because they seem "unrealistic" — because they are based on principle.

William Simon wrote in A Time for Truth, *"Most businessmen today have been more concerned with short-range respectability than with long-range survival. Even more disturbing, they also seek to protect their enterprises by endorsing the very values of their worst enemies."*

In testimony before Congressional committees, the Council always stresses the philosophical arguments, the *moral legitimacy* of private property, freedom of contract, and the right to trade.

Other supporters of the free market destroy their credibility because they are afraid to appear "extreme," so they fall back on productivity arguments alone.

When opponents say, "Capitalism is bad," businessmen answer, in effect, "Well, at least it is efficient." This is obviously not an effective defense.

Even more devastating is the impact of businessmen who preach free enterprise, then use the coercive political process because the voluntary market doesn't serve their ends. Such hypocrisy feeds the moralistic attacks and erodes the credibility of the free market.

But the endorsement and membership support of individuals such as you, who understand the real issues, are crucial to our success. This is no time for pessimism. Write to the Council today for more information.

The opportunity is there . . . if you act now!

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70 percent. Factories are running at less than half their capacity.

In a March policy speech, Machel blamed these internal problems on "inefficiency, stupidity, rudeness, and petty corruption" in the State-run enterprises that had been taken over by worker groups. He vowed to return some of the small businesses to their previous owners. Investment and "aid" in the form of loans is also being sought from western countries. Thus, despite the Soviet investment in foreign aid and military training for Mozambique, economic reality is moving this erstwhile client state towards its own version of capitalism.

Taking Stock in France

A temporary income tax deduction of up to $1,200 per person has injected some $1.8 billion into the French stock market, the Paris Bourse, over the last two years. The 1978 Monory Act allows French taxpayers to deduct up to $1,200 of any investment in the stock market, and so far over a million people have taken advantage of the rebate. In the same two-year period, French industry has benefited from fresh funds for new-equity offerings—over $1.95 million—spurring investment in plants and equipment.

The Monory Act, named after Economics Minister René Monory, is only a temporary four-year measure, but government officials are already worrying over the possibility that stock investors may pull out when the act expires in 1983. In that case, says French Treasury deputy director Bruno de Maulde, "we would have to do something" to prevent a major withdrawal from the Bourse. It remains to be seen whether the center-right d'Estaing government and the irrefutable evidence of the last two years will result in a permanent deduction, or whether that "something" will be yet another strangling loop of red tape to somehow force investors to stay in.

The States vs. the Feds

The 10th Amendment to the US Constitution reserves to the states and to individuals all the powers not specifically granted to the federal government. The Surface Mining Control and Reclamation Act of 1977, to be implemented by the Department of the Interior, orders coal mine operators to restore strip-mined land to its original condition and bans them from mining areas near public buildings, parks, and cemeteries.

The juxtaposition of these two mandates has led a second federal judge to declare portions of the 1977 act unconstitutional. Federal Judge James E. Noland in Indiana ruled that Congress had exceeded its authority in several provisions of the act, a similar ruling to the narrower one laid down by District Judge Glen Williams in Virginia earlier this year (see Trends, Apr.). A third lawsuit in Iowa went in favor of the law, however.

The National Coal Association, the states affected, and several coal companies are now pushing for a Supreme Court review and ruling on the matter. Jack Costello of the Indiana Department of Natural Resources points out that Indiana has had "real good reclamation laws since 1941," adding that the "federal law wasn't needed or necessary."

But Justice Department lawyers won a stay from an appeals court in Virginia to allow the law to remain on the books until the Supreme Court rules on it. An attorney for Amax, one of the largest coal mining companies in the United States, contends that Amax has had to spend over $35 million in equipment and operation costs to comply with the law.

Send in the Clones

Remember the dozens of monstrous little Hitler clones in the movie *The Boys from Brazil*? This Frankenstein scenario was propagated by some scientists and lay persons in the middle of the 1970s, some years after two scientists announced that they had perfected gene transplanting. And the stereotype of nasty little scientists doing secret wrongdoings in the bowels of their laboratories was abetted by a 1972 US Patent Office refusal to grant General Electric scientist Ananda Chakrabarty a patent for his oil-eating *pseudomonas* bacterium (see Trends, May 1980).

GE appealed that decision in 1976, and the case has finally been decided by the US Supreme Court. In a historic decision, the justices decided 5-to-4 in June that scientists or companies may obtain patents on living microorganisms created in laboratories. Justice Warren E. Burger, in his majority opinion, said that the federal patent law drafted by Thomas Jefferson in 1793 was intended to cover such unanticipated inventions as the telephone, transistor, and nuclear reactor. Burger drew a distinction between a law of nature (such as the law of gravity), which cannot be patented, and a laboratory-produced microorganism that "is not nature's handiwork."

The ruling clears the way for approval of over 100 patent applications currently on file. That number understates the extent of work going on, since many researchers prefer to rely on trade-secret rather than patent protection in this rapidly changing field. Among the possible applications of known research are: transplanting the human growth hormone (HGH) from human pituitaries to

bacteria that will be given to livestock and, possibly, midgets; reproducing a bacterium that converts corn syrup into fructose, a natural sugar that provides the same sweetness as table sugar in similar quantities but with less calories; and, possible vaccines for hepatitis, malaria, and cancer.

A Raspberry to Liberals

The days when liberals could automatically count blacks among their ranks seems to be over. A case in point: in the last three months, prominent columnist William Raspberry has given the reading public a series of columns any libertarian could agree with. Here are some sample headlines, for example, from the *Los Angeles Times:* "The Fairness Doctrine Is Unfair," "Overprotection Stunts Energy Growth," and, "Are Reagan/Blacks So Far Apart on Welfare?"

This last column provoked a follow-up a week later on the same subject—"provoked" because the expected "outraged reaction from liberals and advocates of the poor" just didn't come. Instead, Raspberry received widespread support for his position—that welfare removes the incentive for people to find jobs and thus undermines the work ethic and that the best help for poor families is to require that able-bodied welfare recipients go to work. "Blacks of unmistakably liberal politics," Raspberry writes, "are telling me that they are starting to see our best-intentioned welfare programs as a snare that traps people in their poverty."

Cuts That Don't Count

In George Orwell's novel *1984,* a Big Brother government twisted language to eliminate inconvenient concepts and to revise history along more favorable lines. Right on schedule, the American government, aided by some economists, most politicians, and a large portion of the media, has managed to change the popular connotations of the term "tax cut."

Ronald Reagan, for example, proposes to "cut" some $22 billion in taxes next year. Libertarian presidential candidate Ed Clark points out, however, that taxes are scheduled to *increase* by $87 billion in the coming year. So the "cut" Reagan is talking about actually means a downward adjustment that doesn't even begin to offset the automatic tax increases due to inflation.

A Tax Foundation, Inc., study brings the whole picture into focus: take the case of a married couple with one wage earner, two children, and an annual gross income of $10,000 in 1979. The net after-tax income received was $9,065. Say the wage earner received a 14.5 percent pay raise for 1980 ($1,450). After paying increased federal income and Social Security taxes, the after-tax income of the worker would be $10,202. *But,* with the dollar's decreased value due to inflation, that worker's purchasing power is calculated at $8,910. In other words, inflation further eroded the worker's after-tax income by $1,292. The losses due to higher taxes and inflation *exceed* the salary increase by $155 ($1,292 less the net raise of $1,137), translating our poor worker's supposed raise of 14.5 percent into a *net loss* in purchasing power of 1.7 percent.

According to Ernest Conine of the *Los Angeles Times,* for a tax "cut" to actually increase purchasing power, the reduction would have to be greater than the sum of the increases in Social Security taxes that will take effect January 1 and the increase that will occur in income-tax collections as a result of inflation. Conine therefore cannot understand all the hoopla surrounding the Kemp-Roth bill, which would reduce individual income tax rates by only 10 percent per year for three years.

A second misconception is irrefutably erased in an annual analysis by the US Chamber of Commerce based on Department of Labor statistics. While most people on the street, friendly mailings from utilities, and various TV ads often paint OPEC or the Arabs as the villains behind tighter family budgets, the analysis shows up a different culprit. Transportation

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costs for a family of four (including gasoline) with a 1979 budget of $20,077 have gone up by 31.9 percent since 1976. Federal income and Social Security taxes, however, have jumped up *36.8 percent.* This tax increase is 50 percent more than the increase in all other items in a family budget (food, clothing, housing, transportation, medical care), which went up by an average of 24.1 percent.

With these unpleasant facts under our belts, we can look forward to seeing Libertarian Ed Clark's tax program, which he promises will be "the biggest tax cut in American history." If it actually provides for a net *cut* in tax collections, it may force the other parties to clean up their Orwellian rhetoric.

Love Canal Reconsidered

While the facts are not all in on the Love Canal matter, enough questions have been raised to cast considerable doubt on the media image of Hooker Chemical as an irresponsible corporate outlaw, poisoning its neighbors without concern. Among the new (and little-reported) findings are the following:

• Before Hooker bought one of its plant sites in Niagara Falls, the Army operated a plant there during World War II, producing the deadly nerve gas phosgene. And evidence indicates that the Army disposed of hazardous and toxic chemicals at the Love Canal dump during the war. The source of this information is formerly classified documents turned up by a New York State Assembly Committee. The Defense Department denies the charges. (*Science News,* June 7, 1980.)

• The problem pregnancy rate in the Love Canal neighborhood, cited in 1978 as a reason for permanently evacuating 200 families, was blown out of proportion. According to Dr. Nicholas Vianna of the state health department, problem pregnancies peaked in the mid-1960s and had returned to virtually normal levels by the mid-1970s. (Associated Press, June 25, 1980.)

• The much-vaunted study of chromosome damage—which led to another 2,500 near-hysterical residents being evacuated this May—has virtually no scientific value and cannot be salvaged, according to a panel of experts who reviewed it for the Department of Health and Human Services (HHS—formerly HEW). And a second review panel, convened by the Environmental Protection Agency, agreed, concluding that there is no evidence at this time that the Love Canal residents have excessive chromosome abnormalities. (*Science,* June 13, 1980.)

Moreover, it now turns out that Hooker Chemical had explicitly warned the Niagara Falls School Board that chemical wastes had been dumped at the Love Canal site and that no land uses should be permitted that would involve excavation—for example, "for construction in which basements, water lines, sewers, and such underground facilities would be necessary." These warnings were made orally at several 1957 school board meetings and reported faithfully in the local press. Yet the board went ahead later and allowed two city streets and a state expressway to be built across the dump site, quite possibly disturbing the fill and clay cap over the dump.

It may well be that Hooker did not do everything it should have done, given its knowledge of the facts. But the evidence that its chemical wastes have harmed people and that it is Hooker's fault looks less and less substantial as the months go by.

FAA under New Fire

June turned out to be a bad month for the Federal Aviation Administration. Its competence in both areas under its jurisdiction—setting and enforcing air safety standards, and operating the air traffic control system—came under attack, echoing charges made earlier in REASON (see "Is This Any Way to Run an Airway?" Jan. 1979).

The first blow came from the Committee on Airworthiness Certification Procedures, a body created by the National

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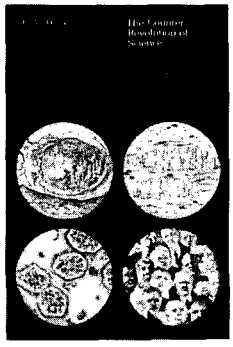

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Research Council in the aftermath of last year's Chicago DC-10 crash to find out just how well the FAA does the job of ensuring safe design and operation of aircraft. The answer? Not very well. The FAA lacks the engineering know-how and dynamic leadership needed to do the job, the 13-member committee concluded. Said chairman George M. Low, "The FAA engineering staff is today considerably less competent than the engineers in the industry they regulate." But despite recommending a major change in design philosophy that, had it been in effect when the DC-10 was designed, would have prevented the crash, the committee took pains to reassure people of the basic safety of air transportation. And rather than questioning the basic soundness of making a government bureaucracy responsible for safety—instead of, say, an independent entity funded by the insurance industry—the committee recommended mostly minor changes in the status quo. Its conclusions, however, were taken as a major criticism of the FAA.

No sooner had the dust begun to settle than Rep. John Burton let fly with the second attack. Citing four failures in a single month of the air traffic control computer system for the Northern California region, Burton announced hearings into the adequacy of the system. Charging that the FAA is "downplaying the seriousness of it and misleading the public," Burton said he has received reports that some breakdowns have been covered up with doctored records and that some others have not been reported at all. The real danger occurs during the first part of a computer outage, when the transition to a manual back-up mode must be made. Controllers report having lost track of planes for as long as seven minutes after a computer failure, raising the possibility of midair collisions. The FAA denies any cover-ups and claims that computer breakdowns are becoming less frequent. At press time it was not clear whether the hearings would lead to new support for the idea (backed by the controllers' union) of privatizing the air traffic control system.

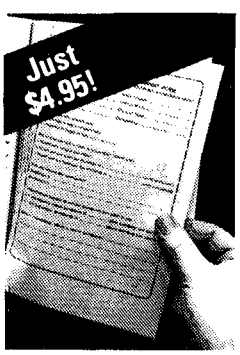
Chicago May Free Cabs

The movement to deregulate taxis has spread to Chicago. Two aldermen have introduced a measure that would remove all restrictions on both fares *and* the number of cabs allowed to operate. Anyone who could meet basic safety and responsibility requirements would be licensed, with the only requirement being to post the fare in the cab's window.

In recent years partial taxi deregulation has occurred in Los Angeles, Seattle, San Diego, and several smaller cities. And a few cities, such as Washington, D.C., Honolulu, and Indianapolis do not restrict the number of cabs. But the Chicago plan would be the most laissez-faire of them all.

Opposing the move in Chicago are most of the existing licensees—including Yellow Cab (which holds 2,100 of the 4,600 medallions) and Checker (which holds 1,500). Their argument is that the city has all the cabs it needs. But the fact is that most taxis in Chicago congregate at high-traffic areas like the airport and the Loop, leaving outlying areas underserved. This is the usual pattern in regulated cities (see "Alternative Transit," REASON, July 1980). With unlimited entry, however, taxi service tends to expand considerably to additional markets, including lower-income areas.

The aldermen who are backing deregulation—Clifford Kelley and Bernard Stone—understand this; both are from outlying areas. Interestingly, when Mayor Jane M. Byrne was the Chicago consumer agency head several years ago,



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she praised the idea of taxi deregulation. If Byrne gets behind the current move, Chicago could well become the nation's alternative transit leader.

And Now, Indoor Pollution

"Are solar homes more radioactive than uncontained nuclear meltdowns?" So asks nuclear scientist Henry Hurwitz in a recent paper intended to point out the hazards associated with drastic reductions in ventilation in order to conserve energy. One of the principal results is to trap radioactive radon gas, whose decay products can be hazardous.

Hurwitz cites measurements made in some energy-efficient homes of as much as 30 nanocuries of radon per cubic meter of air. For a concentration of just 10 nanocuries, the added lifetime lung cancer risk is computed to be one in a thousand per year of occupancy. But that is precisely the added risk level computed for the average victim of a hypothetical uncontained nuclear reactor meltdown.

Hurwitz's point is not that energy-efficient homes are bad. He is trying to alert people to the double standard being applied by government agencies—on the one hand, the Nuclear Regulatory Commission imposing extremely stringent radiation limits on the exposure of uranium miners and the general public, while much higher limits are being allowed and even encouraged for homes by the Department of Energy and the Environmental Protection Agency. Examples: the NRC standard for exposure at the boundary of a nuclear facility is 133 times less stringent than the EPA guideline for radon in Florida homes. Similarly, a home just meeting the EPA guideline could give its residents a lifetime exposure as great as that received by a uranium miner in 10 years.

And radon and its decay products are not the only hazards of tightly sealed buildings. Wallboard and foam insulation frequently give off formaldehyde. Many consumer products (hair sprays, deodorants, furniture polish) likewise give off harmful chemicals, as do gas ranges. In normal houses, the rate of air exchange is from one-half to one complete change every hour. But energy-efficient homes may allow one exchange only every 10 hours, trapping the gases within the building. By thus tightening up buildings "we may be transforming them into virtual gas chambers," says Dr. George Burch of the Tulane Medical School. David Rosenbaum of the EPA estimates that 10 percent of all US lung cancers are already caused by indoor radon.

What can be done? Install heat exchangers, which bring in fresh air without letting heat (or coolness) escape. Use an electrostatic precipitator to remove smoke and dust particles from the air. But don't simply seal up your building like the government tells you, ignoring the very real risks of indoor pollution.

Medallions Now, Coins Tomorrow?

The Treasury Department has begun taking orders for half-ounce and one-ounce gold medallions, made possible by the American Arts Gold Medallion Act. The act provides for a series of 10 different medals to be minted over the next five years.

One million half-ounce medallions, at about $300 apiece, are being offered for sale, along with 500,000 one-ounce medallions at about $600 each. The prices change daily depending on the closing price of gold on the New York Commodity Exchange, and a premium of $6 on the half-ounce and $12 on the one ounce medals is added. Call 800/368-5510, now available for daily price checks, brought to you courtesy of American taxpayers, of course; and buyers are limited to three medallions each. The Treasury Department hopes to compete with the sales of foreign gold coins, on which Americans spent some $900 million in 1979.

Another arm of government, in the meantime, is mustering unexpected support for the minting of gold *coins* (that is, money). Liberal Democrat Henry Reuss (D-Wisc.), chairman of the House Committee on Banking, Finance, and Urban Affairs, has asked the president to give serious consideration to issuing half- and one-ounce gold coins. His proposal was endorsed in the Senate by Sen. Jesse Helms (R-N.C.), a sound-money proponent and author of the Gold Medallion Act, who sees the proposal as an initial step toward the remonetization of gold. Reuss hopes to have the government market these gold coins to foreigners, though he would not bar Americans from buying them, as a measure to make the exchange of dubious paper money for gold at least flow in both directions.

Trucks Partially Deregulated

Things will never be the same in the trucking industry, thanks to a partial-deregulation bill that swept through both houses of Congress in May. As signed by President Carter the bill will:

- Expand entry to the trucking industry, by shifting the burden of proof from those who want to provide service to those who oppose it.
- Increase rate freedom, by allowing firms to raise or lower rates by 10 percent without approval of the Interstate Commerce Commission. After two years, the price-fixing rate bureaus would lose their antitrust exemptions and prices could rise as much as the annual increase in the producer price index.
- Repeal many restrictions on which goods can be hauled by which truckers over which routes.

Industry observers expect the measure to have far-reaching effects, including new price competition, an increase in the number of independent owner-operators, more mergers (and more bankruptcies of poorly managed firms), and a larger role for smaller firms in serving smaller cities. "There will be more changes in the trucking industry in the next five years than the previous 20," securities analyst William Legg told the *Wall Street Journal.*

After trucking, what comes next? Sen. Howard Cannon (D-Nev.), chairman of the Commerce, Science, and Transportation Committee, plans to take up intercity bus deregulation as a first order of business when Congress reconvenes next year. And the ICC is already planning further reductions in control of bus rates and routes on its own.

Milestones

- *Subsidy Effects.* A survey by Angeles Real Estate Co., a California developer, shows that energy use in apartments drops 45 percent when each unit has its own meter and the tenant, rather than the landlord, pays the bills.
- *Schiff Sentenced.* Tax rebel Irwin A. Schiff, author of *The Biggest Con,* was sentenced to six months in prison in Connecticut and fined $10,000 for failure to file 1974 and 1975 income tax returns. An identical penalty was overturned on appeal in 1970. Schiff is also appealing his latest conviction.
- *Obscenity Law Overturned.* Wisconsin's state Supreme Court unanimously struck down its law making it a crime to deal with "lewd, obscene, or indecent" material because the law was too broad and did not define *lewd, obscene,* or *indecent.*
- *The Right to Travel.* A US Court of Appeals ruled that former Secretary of State Cyrus Vance acted improperly when he revoked the passport of former CIA agent Philip Agee. The court said that the State Department has no legal right to revoke an American citizen's passport unless that person is accused of a crime. This may mean that Carter will be unable to revoke the passport of former Attorney General Ramsey Clark for violating the travel ban to Iran.
- *Inheritance Tax Eased.* California's Legislature, with only two dissenting votes, approved a bill exempting surviving spouses from state inheritance taxes

and reducing taxes for other beneficiaries. Gov. Brown has been opposed to the bill because it means, he says, a $100 million loss in annual revenues, and the lone Senate and Assembly dissenters gave the same reason for their "nay." Meanwhile, Assemblyman Donald Rogers (R-Bakersfield) is heading an initiative drive to end inheritance taxes altogether.

• *Social Security No Guarantee.* In a poll conducted for the National Commission on Social Security, 73 percent of the respondents in the 25-44 age bracket had little or no confidence that there would be enough money in the SS to pay benefits to them when they retired. At the same time, 9 out of 10 nonretired respondents are counting on Social Security as their primary or secondary source of retirement income.

• *Three Cheers for Delinquent Accounts.* The IRS is protesting legislation that would require agents to obtain a court order before seizing the property of delinquent taxpayers, saying such leniency would be unfair to lawful taxpayers. Rep. George Hansen (R-Idaho) tartly replied: "There are ways to do it without acting like the Gestapo."

• *State Competition.* Private cable-TV companies may be in for some subsidized competition. A national nonprofit, tax-exempt "Performing Arts, Culture and Entertainment" (PACE) pay-cable service would be set up under a proposal resulting from a Carnegie Corporation-funded study. The proposal suggests that the Corporation for Public Broadcasting come up with $30 million in start-up funds for PACE's first three years of operation, after which it would theoretically become self-sufficient. It would charge $4.50 per month to subscribers and could rebroadcast on PBS.

• *Balanced Defense.* Americans want more defense, but not at the expense of a balanced budget, a Sindlinger and Company survey shows. A majority (56.7 percent) of the respondents agreed that "Congress should find ways to increase defense spending by reducing nondefense spending within a balanced budget." Nondefense spending would include such items as welfare, parks and recreation, and other "human services." The survey was conducted for the Heritage Foundation.

• *IRS Target of Initiative.* The Church of Scientology is spearheading a nationwide petition drive that would force the Internal Revenue Service to reimburse taxpayers for all the time and money spent in successful challenges to IRS assessments. It would also penalize IRS agents or employees who abuse or misapply tax laws—just as CPAs are fined by the IRS if they err in preparing tax returns. Citizens who underpay due to incorrect advice from an IRS employee are also to be exempted from paying any additional amount, and all reimbursements to taxpayers from the IRS will have to be taken from the agency's existing budget.

• *Seabed Mining Bill Passed.* Congress finally approved a bill to allow US companies to mine mineral-rich nodules from deep seabeds after January 1988. This bill will be superseded by any treaty agreed to by the UN Law of the Sea conference in Geneva (Trends, Aug.), and imposes a tax of 0.75 percent of the value of the recovered metals.

• *Carter Controlled.* The Senate voted in July to repeal the Credit Control Act of 1969, effective in July 1981. If approved by the House, the repeal would disallow the tough penalties imposed by Carter last March on lending by banks and credit firms. The Senate also rejected a Carter proposal to triple the budget of the Council on Wage and Price Stability (to $38.7 million) so that its staff of 233 could be expanded to 637.

• *Tax Cap Initiative.* The National Taxpayers Union has announced its support for the Florida State Revenue Cap Constitutional Amendment Initiative circulated by the Florida Tax Cap Committee. If approved, it would cut state revenues by 17 percent and lower taxes proportionally.

• *GAO Admits Drug Lag Exists.* The General Accounting Office has released a report criticizing the length of time it takes the Food and Drug Administration to approve new drugs (See "Whatever Happened to Human Body Glue?" May). The principal culprit is management flaws in the drug-approval process, the GAO concludes, citing such problems as a lack of precise guidelines, frequent changes of reviewers, failure to resolve scientific disagreements with industry, and uneven distribution of work among reviewers. It further chastises the FDA for refusing to accept certain foreign studies on the safety and effectiveness of new drugs.

• *Statist Collusion.* Hospitals risk violating antitrust laws if they jointly decide to reduce services without "explicit authorization and supervision by the state," says the Justice Department—despite a 1974 law requiring an end to duplication of hospital services.

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A different kind of liberation movement emerges in the New Hebrides

By Patrick Cox

THROUGHOUT THE PREDAWN HOURS of May 28, natives walked toward the administrative center of their island, Espiritu Santo. From plantations, from the bush, from the fishing beaches, some starting before the South Pacific sunrise, they walked toward Santo town. Some dressed in shorts and T-shirts, some wearing only the traditional loin cloths, and led by their charismatic leader, Jimmy Moly Stevens, they arrived outside Santo brandishing spears, bows, machetes, and their Na-Griamel flag. Six hundred Melanesians talked about freedom—the freedom to do business with anybody they choose, freedom to wear the clothes they want to wear, freedom to earn and spend their own money; the freedom to live their own lives.

Joined by two-score French expatriates wielding shotguns forbidden to non-Europeans, the group started toward police headquarters. When the police tried to use their radios to warn others, they found their radio bands filled with the whistling and shouting of native rebels. Elsewhere on the island, 60 riot police had been arrested and were locked up, "having a picnic and a basketball game," reported Stevens. Amid shouts of "Individual rights for all!" the unlikely revolutionaries seized the government offices and threw the French and British Condominium police in jail. Not with a bang but a whimper from the European rulers of this mostly black nation, self-rule came to the new country of Vemarana, a federation of the northern-most of a group of South Pacific islands.

This island group is the New Hebrides, located a thousand miles north of New Zealand and half that distance west of Fiji. James Michener's *Tales of the South Pacific* was written about these islands. The real Bali Ha'i was Aoba island, directly east of Espiritu Santo. Pentecost Island, a little to the southeast, is the home of the land-divers—people who build towering bamboo platforms, tie vines to their legs, and dive to the earth.

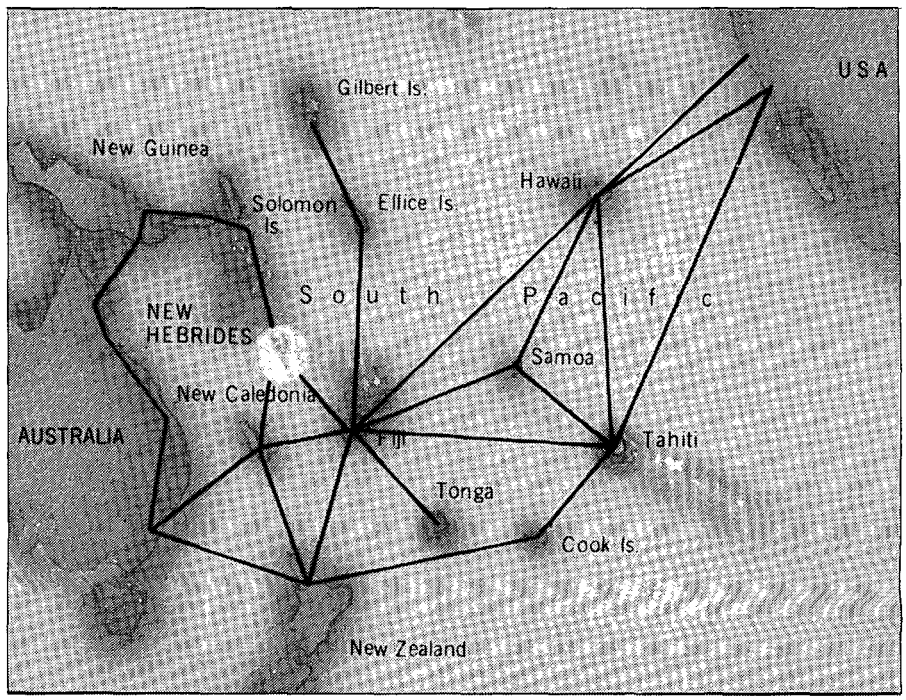
The press has responded to Vemarana's bid for independence with headlines like "Trouble in Paradise" and "Some Enchanted Evening, a Tax Haven Was Born." Noting the connections between the independence movement and a group of American libertarians, many journalists have hypothesized a "right-wing led revolt" attempting to establish a "Switzerland of the Pacific"—although the New Hebrides has been a tax haven for many years. A thinly veiled outrage about "outside intervention" has alternated with condescending humor about a sort of comic opera of buffoons led by fools. It is hard to imagine the same sort of media reaction to other revolutions in other parts of the world—in Yemen, Eritrea, or Angola.

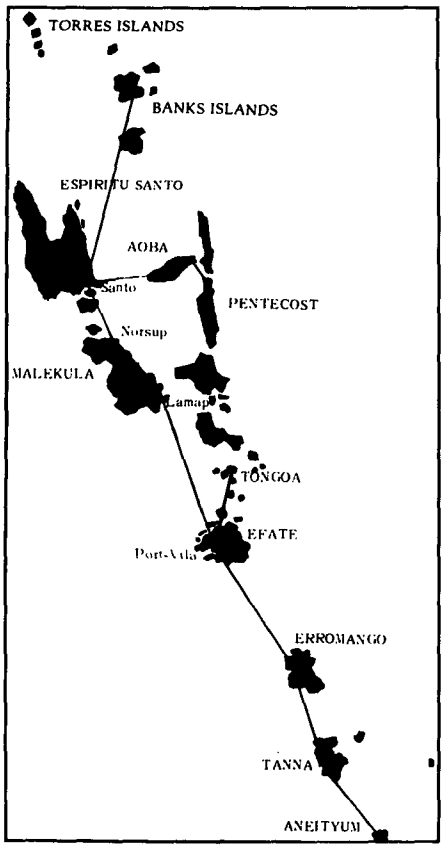
Neither these reporters nor anyone else can begin to understand the new nation of Vemarana without a little of the cultural background of the New Hebrides. The pro-Western, individualist independence movement, unique among the emerging nations of the Third World in this century, has a deep cultural basis extending into the 1800s.

COLONIAL HERITAGE

The New Hebrideans are Melanesians, a black ethnic group quite distinct from the Polynesians most people associate with the South Pacific. The islands were traditional hunting grounds for Australian slavers recruiting New Hebrideans for their plantations, a practice that didn't completely end until the turn of the century. In defense, the natives took to killing and sometimes eating white men who ventured onto the islands. Today, they are still aware of a morality that allowed the involuntary servitude of humans, and a hatred of all coercion is evident.

Early missionaries were misidentified as slavers and often killed. When they finally succeeded in establishing themselves in the mid-





1800s, the Anglicans fought paganism and papists while the Catholics fought heathenism and heretics. French and British trading interests followed in the wake of the missionaries. A tenuous working relationship between the two countries was established in 1887 with the formation of a Joint Naval Commission to oversee European interests in the islands. Little was done for the New Hebrideans' interests.

In 1906 in the New Hebrides, colonialism took a unique form. The British and French set up the Condominium, a Gilbert-and-Sullivan government with two completely separate legal systems based on entirely different traditions (English common law and the Napoleonic Code), to exist alongside a third system of natives' common law and courts. A Joint Condominium Court would hear appeals, deal with cases involving natives and whites or French and British, and handle most land cases. For the British and French, there were separate police forces, separate administrations, separate anthems, separate flags—but for the New Hebrideans there was nothing, not even passports. Nowhere else in the world has a whole group of people been kept stateless.

Out of all this, the New Hebrideans have gained a unique perspective on the nature of government. They have learned that if the government doesn't give you what you want, you get it yourself. The general attitude among the natives, especially in the bush, is that they would be better off without interference of any kind. Even Europeans in the New Hebrides refer to the Condominium as the pandemonium.

The Condominium has unwittingly educated its natives on the nature of money, also. New Hebrides francs, Australian dollars, gold coins, postage stamps, and circular pig tusks are all used as currency. Natives observe inflated currencies fall in value relative to gold with no delusion that one national currency is in their interests.

THE AMERICAN INFLUENCE

World War II had a tremendous effect on the New Hebrides. American equipment was poured into the islands to build up one of the largest American bases in the Pacific theater. Unlike the French and British residents, GIs were generally egalitarian in their social attitudes. The natives liked the soldiers, who shared their food and usually behaved as friends. (Just a few weeks ago a group of American Seabees who had been stationed on the island of Espiritu Santo during the war collected and sent a contribution to independence leader Jimmy Stevens to assist with his cause.)

Of all the islanders, perhaps most affected by the American occupation were the natives on the island of Tanna. According to local religious belief, a messiah would come to deliver them from the government and the missionaries. After the troops left, the mythological character became "Jon Frum" (John from America?), a black soldier who would return with jeeps, guns, fly and mosquito abatement, K-rations, and uniforms for everybody. Though Tanna is the stronghold of this "cargo cult," most of the islands have a pronounced preference for America.

(Like Espiritu Santo, Tanna and several other islands attempted revolts in late May and early June. The world press and the ruling socialist Vanuaaku party were quick to cast the Tannese rebels as fanatics. Yet a Vanuaaku leader, Barak Sope, writing about the Jon Frum movement a few years ago, said: "The people who make up the leadership are not 'idiots' as many government personnel tend to say. The leadership has ideologies that appeal to the local people. They have expressed the grievances of the Tannese people in a way that no one else has been able to." But that understanding of the Tannese is no longer evident in the Vanuaaku party—not since the Tannese people rejected

French troops at the airport at Santo town.

their socialist dreams by revolting.)

During their stay on the islands, American forces developed land for wartime use with the promise that it would be given back to the natives. Much of this was never registered, however, because of a tradition of oral contracts. The British-French Condominium government has had jurisdiction over land disputes, and its legal proceedings often baffle the New Hebrideans, who have a sophisticated system of land rights (see box, p. 27) and a deeply held respect for all property rights. "It's theirs; it's not yours," is a New Hebridean adage.

After the Americans departed at the end of the war, the natives of the New Hebrides grew increasingly restless under the cultural impositions of the Europeans. The American departure also meant a loss of jobs. Condominium government policies prevented economic development of the islands by foreigners; many young natives in search of work had to go to New Caledonia, 500 miles away, to work in the mines. By the late 1960s, the natives were thinking about independence. With colonialism winding down across the world, the British and French were willing, although neither power wished to risk stepping out and leaving the other in place. So for several years independence was stalemated by the "After you," "No, after *you*," syndrome.

Finally, the Condominium agreed on a plan. There would be a series of provisional elections leading up to independence, scheduled for July 30, 1980. The structure put in place would be a strong central government, to unify the New Hebrides's many islands. This setup appealed to the socialist Vanuaaku party, which has been an on-again-off-again victor in the elections that began in 1975. But it did not match much of the natives' tradition nor their experience with government via the Condominium. Antifederalist attitudes that would rival those of Patrick Henry and Thomas Jefferson have nurtured the growth of independence movements in the New Hebrides. Foremost among them is Na-Griamel, based in the northern islands that have joined together as Vemarana and declared their commitment to individual liberty.

OUTSIDE INTERVENTION

While the Na-Griamel independence movement led by Jimmy Stevens is of grass-roots Melanesian origin, it is unlikely that it would have gotten as far as fast without the support of Mike Oliver, a Carson City, Nevada, real estate developer, and some other like-minded Americans. It is this relationship that so disturbs the world media, the state departments of the United States and Great Britain, and the Vanuaaku party in the New Hebrides.

Ironically, no one seems to be disturbed by the fact that Vanuaaku itself has received funds and advice from several outside sources. The Australian Communist Party prints the Vanuaaku paper. New Zealand and Australian trade unions have given the party money, presumably because they'd rather see socialism this close to home than an unrestricted economic area that could draw industry and jobs away from their control. More significantly, the World Council of Churches (WCC) has put much more money into Vanuaaku than Americans have reportedly put into the Na-Griamel movement or the Vemarana federation. The Geneva wire service EPS reported the first WCC donation of $10,000 as far back as 1976. Yet Vanuaaku's connections with international organizations receive no mention when Jimmy Stevens's supporters are "exposed."

Why *is* the World Council of Churches taking sides in the New Hebrides? Most of the Vanuaaku party's native opponents are themselves Christians. Yet many of them will not use the force of law to impose Christian behavior (such as a dress code or Sunday shop closing), and this may help explain the Council's support of the authoritarian Vanuaaku. Or perhaps the party has pull because it is headed up by Father Walter Lini and other native Anglican priests. But none of this may be needed to explain the Council's allegiance. It has backed the radical communist Mugabe over the moderate Muzorewa in Zimbabwe and chose a particularly violent group to back in Angola.

Tanzania is the model for reorganization embraced by Father Lini, president of Vanuaaku and the man elected last November—amid charges of vote fraud—to head the

RESPECTING LAND RIGHTS

Property rights in the New Hebrides are specified and preserved through oral contracts enforced by traditional institutions of "custom." Contracts can be simple or highly complex. Property borders can be curving lines around clusters of coconut trees, outcroppings of rock, or the wanderings of a stream. It is not uncommon for contracts to include provisional clauses making rent, lease, or sales payments contingent on the yield or market prices of crops.

Joint ownership is common. Some contracts split land rights into different uses: one person has rights to the yams grown on a parcel of land, while another harvests the coconuts. Even more complex contracts, giving individuals rights to a crop every other year or every third year, are observed in New Hebridean society.

Europeans coming to the New Hebrides often did not understand—or simply ignored—the sophistication of native land rights customs. "Land grabbing" did take place in the New Hebrides, especially during the first part of the 20th century. If a native who owned only some selective portion of the rights to a certain piece of land placed his "X" on a land sale contract, the courts maintained in many cases that the property within the borders described in the contract (that is, *all* the rights associated with the property) belonged to the purchaser. Many of these contracts—some of which provided for payment only in trinkets—were signed after the "seller" had been gotten drunk.

Because of their elaborate traditions with respect to land, it was difficult for New Hebrideans to see any necessity for precise surveying and deed registration. Neither wanting nor needing it, they have chafed under European intervention into their traditions of land rights.

post-independence New Hebrides government. Tanzania is perhaps the purest example of socialism in the world today. Its leaders seem to be sincere socialists; they do not have the palatial homes, expense accounts, or other perquisites claimed by leaders in many socialist countries. As President Carter noted of his friend and pen-pal, Tanzanian president of 19 years Julius Nyerere, he "has forgone material wealth and ease in a sacrificial way for his own people." Sacrifice, it is evident, is more important than success to the two presidents, because Tanzania is the welfare case of the world, receiving $400-$500 million a year in foreign aid (which Nyerere calls "a matter of right" and not "of charity").

Since the imposition of Tanzanian socialism in the mid-1960s, the country has moved from relative prosperity to virtual disaster, with industries continuing to fall apart for lack of motivated, trained personnel. The government has resettled 14 million natives to collective villages; only 100,000 of them went voluntarily. The country has one of the worst human rights records of any African nation, according to Amnesty International; one *Los Angeles Times* African correspondent reported that it holds more political prisoners than the hated "fascist" South Africa. There is no freedom of the press, and televisions that pick up any but official stations are banned. And while Tanzania teeters on the brink of famine, dependent on the rest of the world for handouts, Nyerere has managed to overthrow three neighboring countries' governments.

The economic failure of Tanzania would be worry enough for the New Hebridean rebels. But they have this also to consider: Tanzanian chiefs who opposed Nyerere's socialist rule have been picked up and jailed or have just disappeared altogether.

"LITTLE BIT SCARED"

Pitted against Vanuaaku is an individual rights movement led by Jimmy Moly Stevens. Stevens's father, Tubo, who died about 1931, was three-quarters Tongan and one-quarter Scottish. His mother, from the New Hebrides's Banks Islands remarried later to a Stevens (or Stephens).

Jimmy recalls, "Old Stevens come with whip—Presbyterian teacher, church elder, and everything. I run out. Oh, hard time. Nothing but whip." He says that he was returned by the government once but ran away again when his mother died, going to live with the bush people in the village where he was born. The chief of the village remembered him and, having no male children, raised Jimmy along with three other boys as his sons. It was there that Jimmy learned the rules and subtleties of custom (see box, p. 29).

The New Hebrideans have a deeply held respect for property rights; "It's theirs; it's not yours," is a native adage.

In 1942 the Americans arrived on Espiritu Santo. Jimmy, like everyone else, was excited. He helped with the cooking for some Marines, learned English, drove a bulldozer, and worked as a translator. After the war Jimmy signed on as an engineer on a commercial ship. He worked several years on the ship until he suffered an injury and checked into a Sydney, Australia, hospital. When he recovered, he sought out the "custom people" of Australia, the natives like himself. He found them in the bush and was shocked to find out that they couldn't go into town without permission and a police escort. Jimmy says, "In my heart, I get feeling must be careful in Santo. Maybe one day happen in Santo. They push us out, take salt water, not have port. I little bit scared—say nothing."

By 1959, back on Espiritu Santo, Jimmy had become suspicious of the natives of Vila, the capital of the New Hebrides and the bureaucratic center of the British-French Condominium government—suspicious that the natives there were enamored with the European aristocratic games of political power. About that time he was involved with a claim struggle over an entire island that the Presbyterian church said was theirs. Stevens helped a native church elder whose family had owned land on the island fight the case, but they eventually lost. The experience added to his distrust of government.

And it was a land dispute that would lead to the first steps toward the new country of Vemarana: the creation of the Na-Griamel movement. In 1962 the disputed title for a large tract of land on Espiritu Santo called Luganville, used by the Americans during the war, was confirmed to the Societé Francaise des Nouvelle-Hebrides (SFNH—a huge French trading company similar to the British East India Company with its early monopoly rights). Chief Buluk, respected leader of one of the largest tribes, and Jimmy organized to resist the decision as a violation of oral contracts governing the land.

In August 1963, 15 villages officially joined as the Na-Griamel movement, named for the sign of the *nagria* and *namele* leaves, symbol of female and male, or the mother and father spirits and ancestors. The symbol serves as a combination of a truce sign and peace sign, always honored when used by someone of sufficient custom status. The objectives of the movement were made known in the form of a proclamation, the "Act of the Dark Bush." Buluk and Stevens were elected its leaders.

At the heart of Na-Griamel was a desire to protect native traditions (custom), which the missionaries had always tried to suppress. Because of this, the movement has never been accepted by the two major British churches, the Anglican and the Presbyterian. Native sources report that elders in both churches have

gone so far as to preach that "a vote for Na-Griamel is a vote for the devil." But custom is more comprehensive than religion; Na-Griamel also sought to preserve traditional concepts of property rights—the "dark bush" is land claimed by Europeans but as yet uncleared.

TOWARD INDEPENDENCE

By mid-1967 Buluk and Stevens realized that the Condominium government was going to ignore their pleas about the true ownership of the Luganville tract, so they "trespassed," encouraging their followers to occupy over 2,000 acres of the property. (They also established a village near Santo town—Tanafo, sometimes called Vanafo or Fanafo—to serve as headquarters for Na-Griamel.) The Condominium retaliated against Buluk and Stevens with long prison sentences, subsequently reduced to four months for the older Buluk and six months for Stevens.

Jimmy remembers 1968. "Prison! [laughs] Everything on time. If you want butter, get butter. Jam for breakfast. Eat fresh meat twice a day. Instead of scaring people, it looks to me like another trap for native. All time I say I will break through some way.... I ask, 'Please ask Americans [about the land in contention]—don't be fool. Americans can prove with copy of plans from war—which village.' " He was ignored.

After their release, Stevens and Buluk went back to the business of running the Na-Griamel movement and the Luganville settlement, which was a sort of voluntary cooperative. Land was given to any native who would fill the homesteading requirements, pay minimal dues, and help with community services. The movement was gaining supporters from all over the islands. At least two complete villages from other islands were so enthusiastic that they moved, lock, stock, and barrel, to Tanafo.

At first, resistance to the Na-Gramiel movement by the churches was minimal. They didn't seem to notice the organization until about 1970, when, according to Jimmy, "Natives not putting pennies in plate," as they began to pay dues to Na-Griamel.

Europeans and outsiders, while wary of Stevens's evident skills as an organizer, refused to take him seriously as a leader of his people. Typical is the reaction of Charlene Gourguechon, who describes meeting Jimmy in her book, *Journey to the End of the World* (1974):

> *With his abundant gray beard and prophet eyes he looked nothing like a New Hebridean. European? Polynesian? Maybe he had some Melanesian blood, but it certainly didn't seem to predominate. An unctuous smile. I studied his face. Was it the look of a sage or a trickster? René introduced us, but the Chief President had to make his own introductions in his own way. "I am Jimmy Tubo Stephens," he laughed haughtily. "You can call me Jimmy," he added with a wink.*
>
> *He surveyed our film and photography equipment and looked impressed. He knew we were Americans, and that seemed to please him. "I'm going to the UN with our case. I'm sure you can help us."*

Stevens made that appeal to the United Nations in 1968 in the form of a petition. It was the first request by native New Hebrideans for independence. He was ignored.

Two years later Jimmy met Mike Oliver. Oliver is a Lithuanian American whose four years in a Nazi concentration camp has added an urgency to his libertarian political beliefs. In 1966 he began writing *A New Constitution for a New Country* as

CUSTOM

The complex traditional culture of the New Hebrides is referred to as "custom." It is not readily understood by outsiders, for the New Hebrideans talk about it to others only reluctantly. This is at least partly because of the missionaries' attempts to stamp out what they considered pagan practices. Yet custom—though encompassing native deities—is not really a competing religious code. Today both Christian and non-Christian natives operate by custom.

A key feature of custom is the system for determining rank and status among the males of a tribe. Called by different names on different islands—*nimangki, suque, erpnavet*—the system functions as the base of religion, politics, economy, and art. As summarized by Charlotte Gourguechon, an American who lived for three years in the New Hebrides:

> *It is a society within a society and it is strictly hierarchical, somewhat like the army back home. Each man has a grade. He can be promoted to higher grades by paying pigs and organizing ceremonies. A man who thus rises in rank acquires prestige and power in life.*

Moreover, in all but one of the New Hebridean tribes, there is no hereditary chieftainship. Whoever earns the highest rank in the nimangki *is* the chief (called a "moly," as in Jimmy Moly Stevens). A chief can bequeath his wealth (traditionally measured in numbers of pigs) to his son. But, continues Gourguechon:

> *... there is no guarantee whatsoever that the son of a chief can become a chief himself. On the contrary, a man who has no heritage can earn pigs in doing service for others.... There are even men who climb the grades thanks to borrowed pigs. They repay them later with interest. If you lend me a pig whose teeth have begun to curve [a highly prized trait], in two years I will repay you a pig with teeth up to three-quarters of a circle. New Hebrideans are capitalists.*

Thus, custom operates as an ongoing election process.

Most tribes' nimangki includes a special building, taboo to outsiders, called the *nakamal*. It is the place where the most important custom activities take place, including the planning of festivals, creation of ritual art objects, and the *kava* ceremony— drinking a mildly hallucinogenic substance, telling tales, and having visions. Na-Griamel, as part of its efforts to restore many aspects of custom and to counteract the anti-custom missionary influence, has developed the nakamal into a quasi-political gathering place. The new Vemarana constitution makes the nakamal the administrative center of local government at the village level.

an example of the way a libertarian society could be governed. It was published in 1968, at which point Oliver started the *Capitalist Country Newsletter,* outlining plans for a New Country Project—a long-term venture to acquire territory, with full sovereignty, for the establishment of a libertarian, free-enterprise country.

In 1970 Oliver visited Fiji on vacation. Coincidentally, Jimmy Stevens had just been released from a Fijian hospital. Friends of Stevens told Oliver that he should meet Jimmy, and the two hit it off, agreeing on most points of political philosophy. Oliver agreed to visit Stevens again on Espiritu Santo, but he stopped first in Vila, where the district manager of Burns-Philp (the large British trading company, counterpart of the French SFNH) told him that Stevens was a thief and a hypocrite, interested only in getting Oliver's money. When Oliver didn't come around, Stevens was puzzled. A year went by before a French New Hebridean visiting Carson City told Oliver that Burns-Philp held exclusive license to export copra (dried coconut, the New Hebrides's principal export), and that the Na-Griamel movement was fighting the government-created monopoly in the purchase and transportation of copra. Said Oliver with a sneer, "Most of the socialism in the world is bought by big business."

IN SEARCH OF A NEW COUNTRY

From 1970 onward Oliver spent a great deal of time, money, and effort on the New Country Project. Unsuccessful efforts were made on Minerva Reef in the South Pacific and Abaco in the Bahamas.

Minerva Reef, visible only at low tide, was well outside of any national boundaries, lying between the jurisdictions of Fiji and New Zealand. In 1972 Oliver's people built a concrete platform on the reef, hoisted a flag, and claimed sovereignty as a new country. (Their unprecedented claim was backed up by a legal analysis published in the *Columbia Law Review.*) Plans were drawn up to build an ultramodern sea city capable of maintaining 32,000 people. Several months later the king of Tonga deployed his navy—one gun boat—took over the uninhabited platform, and hoisted the Tongan flag. So much for the Republic of Minerva.

The Abaco project came about when a resident of the Bahamas, 170 miles east of Florida, discovered Oliver's book. The population of Abaco, one of the islands, was mostly dissatisfied with the Progressive Liberal Party (PLP) that had come into power in 1967 while the Bahamas was still a British colony. The Abaco separatists contacted Oliver, and he started advising them.

Lynn Kinsky

Mike Oliver

The Abaco Independence Movement (AIM) was announced in August 1973 after a delegation from Abaco had petitioned the Queen unsuccessfully to maintain British colonial status when the rest of the Bahamas went independent—a move that Oliver counseled in order to avoid falling under the jurisdiction of the oppressive PLP. John Hospers, libertarian professor of philosophy, delivered an "economic speech" at the AIM organizing convention in 1974, because the PLP government had forbade him to talk about anything "political." Other libertarians addressed a conference later that year, but Hospers was refused reentry to the country.

It was not PLP maneuvering, however, but internal bickering that killed the Abaco Independence Movement. It degenerated into a home-rule "reform" movement before withering away altogether in 1977.

Oliver's interest in the New Hebrides as a New Country site dates back to 1971, a year after his meeting with Stevens. On a trip to the South Pacific, an associate acquired a large tract of land on Gaua, one of the Banks Islands in the northern part of the archipelago. Even though sovereignty was not part of the deal, Oliver figured that the islands' existing status as a tax haven might be close enough to laissez-faire to meet most of the New Country objectives. But plans to sell lots to New Country Project participants were dashed when the British-French Condominium government enacted new laws dealing with immigration and land ownership by foreigners, making it virtually impossible to subdivide and settle the land.

While the Minerva and Abaco projects were going on, other Project participants remained on the lookout for additional opportunities. In 1974 one of them reported back from a several-month South Pacific expedition with yet another New Hebrides prospect: a plantation owner on Vanua Lava—another of the Banks Islands—reported that the Banks and Torres Islands were ripe for independence. Project participants were guardedly optimistic and sent libertarian writer Robert Poole to the New Hebrides to check out the situation.

After a month on-site, Poole returned with the sad facts: the report was mostly wishful thinking, inspired by the plantation owner's desire to sell Oliver his land. But there *were* promising groups with a libertarian bent in the New Hebrides, Poole reported: Jimmy Stevens and Na-Griamel on Espiritu Santo, and the Jon Frum movement on Tanna. Poole advised the group to make contact with Stevens; another project participant flew to Santo in June 1975, met with Jimmy, and reported that he seemed to be basically libertarian, the leader of a true indigenous movement, and a man firmly committed to independence.

At that point the New Country Project was given a more formal structure with the incorporation of the nonprofit Phoenix Foundation on June 3, 1975. The name was taken from the mythological bird that resurrects itself from its own ashes—a metaphor for the rebirth of freedom via a new country. Among the board members were psychologist Nathaniel Branden, philosopher John Hospers, retired Air Force officer Hank Phillips, financial writer

Harry Schultz, Poole, and Oliver. The purpose of Phoenix was to be a sort of Peace Corps for free enterprise, giving advice and publicity to freedom-oriented independence movements in the Third World.

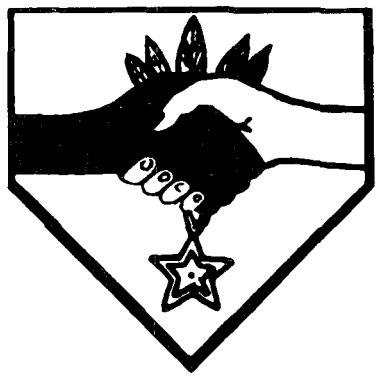
VANUAAKU VS. NA-GRIAMEL

During the mid-1970s, the Na-Griamel movement's relationship to the French government was undergoing an important change, mostly due to the establishment of the New Hebrides National Party (later to be known as Vanuaaku) in Vila, the British-French administrative center on the southern island of Efate. Their published intent was similar to Na-Griamel's—to preserve custom and move toward independence—but their technique and rhetoric were socialist. The British didn't seem to care, as the British bureaucracy in Vila consisted mostly of the Fabian Socialist sort that helped set the scene for socialist government in most of the ex-British colonies in Africa. Additionally, the British have no real interests in that area of the South Pacific. Once freed of its responsibilities to the Condominium government, Great Britain will be little affected by events in the New Hebrides.

The French, on the other hand, have significant interests in the area. New Caledonia—500 miles to the south—is an important French source of nickel and tin; and the Tahitian tourist industry of French Polynesia is not inconsequential, either. National Party leaders, however, were openly supporting independence groups in New Caledonia that were friendly to the Soviets. The French began to worry about the likelihood of a Soviet base in the New Hebrides if the party took over after independence. French residents of the islands also expressed concern over the racist literature put out by the party, which is considered a "black power" group even by many black New Hebrideans.

Na-Griamel, unlike the National Party, has an explicit open-door policy toward anyone who can help develop the country—including the French. The Na-Griamel symbol itself has a black hand shaking a white hand below the traditional leaves, symbolizing racial harmony. The National Party in November 1975 called for the confiscation of all undeveloped European land without compensation. The Na-Griamel policy, on the other hand, was that *if* land had been acquired fraudulently or under questionable circumstances, it should be renegotiated between the buyer and seller or their heirs, and a fair market value exchanged.

Against this background, the French government invited a Na-Griamel delegation to Paris for the Bastille Day celebrations in July



The Na-Griamel symbol has a black hand shaking a white hand below the traditional leaves, symbolizing racial harmony.

1975, a move that lent political respectability to Stevens and his group. Stevens met with French President Giscard D'Estaing, the resident commissioner of France to the New Hebrides, the chief of the French government, and the president of the French Senate.

A month later in municipal elections—the first elections ever held in the New Hebrides—Na-Griamel won 15 of 16 seats on Espiritu Santo, and moderate party allies won two-thirds of the seats in Vila, the center of the Condominium government and the National Party. The statistics are important, for the first national elections three months later varied dramatically. Though observers could not detect any real change in public opinion, the National Party was the firm victor of the November elections for national seats. Jimmy Stevens wrote to Oliver reporting massive election fraud.

Fraud at the ballot box is especially easy in the New Hebrides because of widespread illiteracy. Voters are given their party's cards, which are color-coded. The National Party, drawing much of its support from New Hebrideans who are employed by the government, is in a particularly propitious position to influence the vote. Local papers reported that some areas never received blue Na-Griamel cards or that they were being given out only after payment to a government official, that 12-year-old children were seen voting in some areas, and that little or no security over the ballot boxes themselves was maintained. Stevens was particularly troubled by reported National Party transportation of people from other islands to areas where the party needed votes.

In fact, whenever an election is reported, most New Hebrideans take the results with a grain of salt. As in the United States, some natives refuse to take part in the elections at all, especially those who are strong believers in custom and its tradition of casual, intimate local control of area affairs. Some natives view with alarm any election of a man who would rule them from Vila, not even recognizing the need for national offices. And in fact a native who cannot read must make a leap of faith in order to believe that passports and postage stamps have any real value.

Jimmy demanded new elections, to be preceded by a census of the islands to ensure that there was no interisland cross-over voting. He was ignored. (Only after he led an attempted secession would the Joint Condominium Court find that there had been irregularities in the elections.)

Between the two elections, Jimmy, as head of the Na-Griamel movement, contracted exclusive rights to Mike Oliver to produce and market gold and silver coins bearing Stevens's picture and "Individual Rights for All." The profits from the venture were to be turned back to the Na-Griamel movement for its activities. Jimmy set the end of the year as the date for a unilateral declaration of independence for a group of northern

islands and agreed with Oliver on a plan for offering honorary citizenship in the Na-Griamel federation to large contributors to a special fund to be used upon independence.

OPERATION SOUTH PACIFIC

After the controversial November election, the story begins to take on the features of a good movie script, though hardly a Micheneresque musical. Oliver, a group of doctors and dentists interested in starting a clinic in a libertarian country, and a radio technician traveled to Santo to meet with Stevens and other Na-Griamel leaders.

Once in the New Hebrides, Oliver realized that supporters would need a clearer picture of what sort of development would be most practical in the case that a libertarian government were established. He again sought the aid of Robert Poole, asking him to do an economic feasibility study. Poole was unable to go to Santo himself but recruited David Sutton, a libertarian with Marine Corps jungle training who was at the time authoring a book on survival techniques. Besides doing the economic analysis, he was to live with the natives and ascertain whether or not the Na-Griamelians and other pro-independence natives were genuinely dedicated to individual rights or were just following charismatic leaders.

The worry was not completely unfounded. Jimmy Stevens's willingness to use anybody who might be of help to his cause has been criticized by some. Several libertarians interviewed for this article characterized him as a charismatic power-broker who has manipulated some wealthy Westerners for his own ends, playing the British against the French against Mike Oliver and associates. That is not to say that Stevens's ends are not sincerely libertarian, but, as our sources point out, he is indeed a politician.

In the process of preparing for Sutton's trip, members of the Phoenix Foundation began to worry about possible government interference with their activities. Packages coming in and out of Vila were frequently delivered opened, and most of the people interviewed for this article felt that telephone conversations were regularly monitored at the government-controlled telephone company. So a complex set of codes was constructed so that Sutton could communicate emergency messages via shortwave to the United States. As it turned out, everything went smoothly, and Sutton went about his business, living as a guest of Stevens's. Authorities apparently thought he was only a writer.

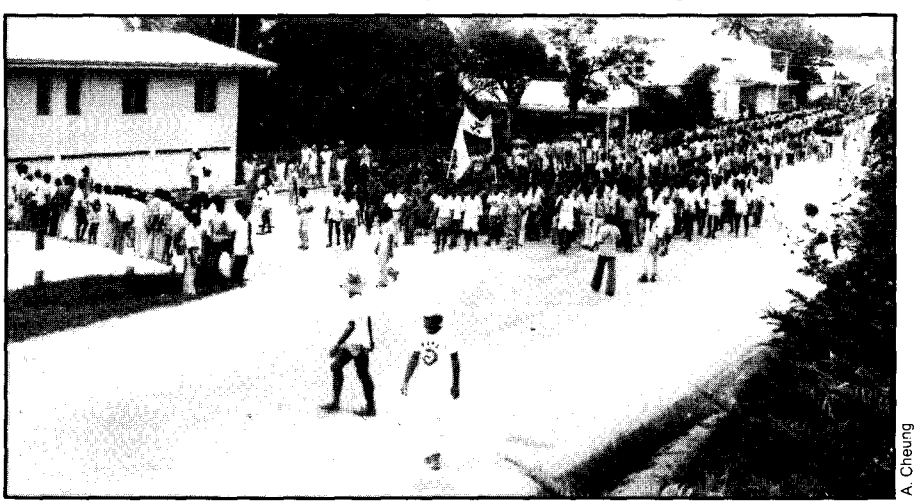
A radio had been set up in the Na-Griamel village of Tanafo by an employee of the Phoenix Foundation and was in use several hours each night, as much as its generator would allow. Featured were Jimmy's taped speeches and an alternative to Radio Vila's pro-National Party news. Oliver left the radio operator and Sutton and returned with the others to the United States. Sutton was to continue the economic analysis and work with Stevens on a draft of the constitution for the proposed new country. It should be said that the money given the two libertarians remaining in Tanafo was not enough to cover their own expenses; their motivation seems to have been largely ideological.

Sutton and Stevens apparently liked each other from the first. Sutton recalls late nights of political, philosophical discussions with "Moly," talking "often until three or four in the morning." And the Melanesian people loved "Jungle David."

One day, Sutton relates, he came upon a man carving a fighting stick in preparation for the upcoming declaration of independence. (Sutton confirms reports of violence and threats of violence by National Party members toward Na-Griamelians.) Sutton, a husky six-feet-two-inches, demonstrated how easy it is to disarm a man with a stick, and the next day Stevens asked him to train the Na-Griamel police force in self-defense. While the radio technician struggled to keep Radio Tanafo operating with insufficient money and parts, Sutton taught self-defense and principles of constitutionality to four dozen pupils of all ages from all over the northern islands.

Sutton became completely enamored of the people. He found that their "primitive" live-and-let-live attitudes were actually a respectable understanding of what are called libertarian ideas in the United States. He took it upon himself to improve the quality of their diet, encouraging them to increase their protein consumption. He taught them hygiene and comparative political and economic systems. He even attempted to change their language a little when he found that the words for "white man" and "black man" in the English-French pidgin "bichlemar" (spoken by all New Hebrideans, besides their dozens of languages and dialects) were *massa* and *boy*.

He was infuriated by the Condominium's treatment of the natives. They were forbidden to own rifles, despite the fact that large bats were destroying 25 percent of their fruit crop. They couldn't even afford flashlights to hunt them at night with bow and arrow because Condominium law limited the natives' legal wage to $2 Australian a day, and tariffs artificially increased the prices of manufactured goods.



A. Cheung

A Na-Griamel demonstration in Santo town

ABORTED INDEPENDENCE

On December 27, 1975, Stevens declared independence for a federation of northern islands bearing the name Na-Griamel and ordered the Condominium government to leave by April 1. The next day, Radio Tanafo announced that Na-Griamel had

> *evicted the British and French as colonialists, not as residents.... there are good men among all peoples.... The new government will levy no taxes, regulate no one's life. Instead, it will serve to carry on minimal functions of government....Each settlement will function with its own laws, customs, and traditions.*
>
> *In the village of Tanafo, dancing continued far into the night—[representatives of] each island contributed its different dance.*

On Tuesday, December 30, in New York, Chiefs James Garae Bakeo of Aoba and Timothy Weles Nafakon of Espiritu Santo, accompanied by their friend, paramount Chief Osea Gavidi of Fiji, presented their credentials to the United Nations and deposited copies of their declaration of sovereignty. They cited UN Resolution 1514, which provides for the right of all peoples to self-determination, and a poll taken by Na-Griamel showing overwhelming support for independence among the northern tribes' 26,000 people. They were ignored.

In the *New Hebrides News,* issued by the British residency office, the declaration was belittled. The atmosphere on the islands was tense. Stevens put guards on the gates of Tanafo and at the radio station. Threats among political factions were common, especially by the Tabwemasana group, then opposed to Stevens but now more or less aligned with Na-Griamel. Sutton recalls jamming of Radio Tanafo's frequencies by someone on Vila and by the British police station on Espiritu Santo, and a plan by Stevens to stampede several thousand cattle into Santo if the Condominium hadn't pulled out by the first of April (a plan that Sutton was successful in dissuading).

On February 21, Chief Tapun of Big-Bay, a Tabwemasana, placed nagria and namele leaves around the flagpole outside the Condominium agency in Santo to protect the Condominium government. The effect was to kill any demonstration of force on April 1, so seriously do the natives take the custom symbol.

A. Cheung

Chief Tapun by the flagpole outside the Condominium offices in Santo. By placing the symbolic nagria and namele leaves on the flagpole, he prevented a native show of force against the Condominium in 1976.

A few days before the April 1 deadline, a message was read over Radio Tanafo warning the Condominium to leave and using the words, "fire and blood." Tabwemasana and the National Party demanded that military force be used to crush Na-Griamel. French troops from New Caledonia actually landed in Santo, and a British warship cruised offshore. On April 2, a 15-man delegation from Na-Griamel delivered an extension of their ultimatum, giving the Condominium until August 10 to get out. But nobody took it seriously, as the debacle had seriously hurt Jimmy Stevens's credibility.

Sutton and Stevens, meanwhile, had completed the draft of a constitution for the new country (see box, p. 36). After a meeting at which Sutton explained it word by word, the custom chiefs of Na-Griamel approved the constitution, and 200 copies of it were made and distributed throughout the Na-Griamel federation.

Shortly thereafter, Sutton was recalled to the United States by an outraged Oliver. He blamed Sutton for not preventing the "fire and blood" statement (Sutton says he was powerless to change Stevens's mind) and worried that the self-defense classes would be construed as military aid. On May 8, Oliver sent a letter to Stevens warning him against alienating the French. On the 10th, Phoenix Foundation board member John Hospers wrote a diplomatic masterpiece to the French high commissioner for New Caledonia attempting to heal the wounds and explaining the purpose and efforts of the Phoenix Foundation. The effort succeeded: Jimmy was invited to Paris, and in July he led a Na-Griamel delegation to meet once again with French officials. The British, on the other hand, remained implacable. They denied a visa extension to the Phoenix radio technician, forcing him to leave the country. (By that time, however, the natives had learned how to operate Radio Tanafo.)

The Phoenix Foundation had not abandoned the New Hebrides. In September 1976 a political consultant was sent to work with Jimmy, preparing for the election at the end of October to seat five members from the northern islands in the next provisional assembly. Their goal was for moderate or Na-Griamel candidates to win at least three of the five seats. The consultant lived secretly in Tanafo for 10 days, talking tactics with Stevens. Jimmy used his $500 contribution to hire a ship for campaigning among the islands and to pay for Na-Griamel literature. When the consultant's health started to go, he went back to Santo, a town of a couple of thousand people with European food and a hotel. During the elections, he witnessed massive election fraud and left the New Hebrides convinced that Na-Griamel didn't have a chance ever to succeed.

The Phoenix Foundation moved its headquarters to Amsterdam in December that year, and the Americans—including Oliver—resigned from the board. From that point on, the Foundation ceased to have any significant role in the drama. Several of the trustees were discouraged and shocked by the lack of control exhibited over Foundation business. Robert Doorn, an associate of Harry Schultz's, took over the newsletter and wrote and marketed a book that appeared to be a constitution for the New Hebrides, although the chiefs in the New Hebrides say they have never seen it. (An associate of Doorn's is currently promoting New Hebrides coins, against Na-Griamel wishes.) American support from then on centered around Oliver and F. Thomas Eck III, an attorney who is general counsel to the Carson City School District.

ELECTION CHICANERY

In July 1977 a Joint Communique of the Anglo-French Ministerial Conference set new elections for November of that year and again in the second half of 1979. This time the elections would be for a real National Assembly to be filled by New Hebrideans to aid in the transition to independence, now scheduled for July 30, 1980. And this time the socialist National Party—now going by the name Vanuaaku—lost big. George Kalsakau, leader of the moderate Natatok party, which is friendly toward Na-Griamel, was elected chief minister of the National Assembly. Neither the new chief minister, however, nor the members of his cabinet nor the newly elected National Assembly would be recognized by the Vanuaaku party, announced its president, Father Walter Lini. This is the man who is supported by the World Council of Churches. This is the party that has the blessing of the US State Department and the world media.

In January 1978, after the new assembly members were inaugurated, Vanuaaku decided to hoist its own flag and declare independence too. Father Lini announced the existence of the People's Provisional Government for all of the New Hebrides. His "government" officials, who address one another as "commissar," set up their own police force and declared that anyone wishing to travel from one island to another would have to buy a pass for each island visited, at a cost of $1.00 apiece, a considerable sum for the native population. Travelers were required to show the passes to People's Provisional policemen on arrival. The party also levied a business license tax on merchants. The Condominium did nothing.

Los Angeles Times correspondent Charles Hillinger covered these strange events, reporting Chief Minister Kalsakau's reaction: "I am disturbed about the breakaway government, disturbed about its far-to-the-left leanings." Yet aside from Hillinger's little-noticed article, the world press was silent. There was to be none of the cries of outrage heard two years later over Vemarana's new government.

In 1978 Na-Griamel was taken more and more seriously. In August Tanafo was visited by an official French delegation, met with flags and banners. An airstrip was built at Big-Bay, and in November Na-Griamel announced over Radio Tanafo the beginning of air service via Air-Melanesia.

Jimmy Stevens with one of his wives during a campaign rally

In March 1979 Jimmy Stevens came to the United States to meet with officials of the State Department and the United Nations, offering to take in 3,000 Vietnamese boat people. The local people had built homes and planted gardens for them in preparation. The act was undoubtedly humanitarian, but it was typical of Stevens's libertarian opportunism. He was not unaware of the anticommunist sentiments of the fleeing refugees and the way they would probably vote in future elections. Father Lini and the Vanuaaku party vehemently opposed the move, charging that it would "cause racial imbalance."

Another set of elections in June 1979, confirming the Vanuaaku defeat of 1977, gave moderates and Na-Griamelians hope for the coming November elections. Consequently, everyone was flabbergasted in November when Lini, who had all along refused to recognize the elected prime minister, was said to have been elected prime minister himself. Once again, cries of vote fraud were raised—and ignored. The British supported Lini just as they had humored his People's Provisional Government by looking the other way. But there was growing unrest over Lini in the native population. As familiarity with the voting process and the scale of election fraud increased, Lini lost more and more status.

In March 1980 Stevens—accompanied by ex-prime minister Kalsakau of Vila; president of the five-island Tafea federation, Jean Marie Laye; and seven other chiefs representing most of the New Hebrides—went to Paris. They complained about the Vanuaaku party. George Kalsakau's house had been burned to the ground after he had spoken out against Lini; Laye had been severely beaten; and other complaints were brought. The French were already aware of the situation. The delegation went on to England for similar talks. They were ignored. Lini's group was simultaneously making its pleas to the two governments.

After the trip, five of the chiefs went on to Carson City to talk to Oliver and Eck about the Vanuaaku-drafted constitution that Lini had declared—without any vote—the constitution of the New Hebrides. The council of chiefs asked their help in drafting an alternate constitution.

Lini's constitution subjugated individual rights to the government's rights on the first page: "The Republic of the New Hebrides recognizes, that, subject to any restrictions imposed by law on non-citizens, all persons are entitled to the following fundamental rights and freedoms of the individual...subject to interests in defense, safety, public order, welfare and health." It is vague and filled with generalities, with a whole section devoted to the tenure of civil servants. It sets up several agencies with no function but to bring potential opposition onto the government payroll. It has no provision for civilian control of the military and gives government the authority to suspend the bill of rights.

When Walter Lini refused to recognize the elections, where were the cries of outrage heard two years later over Vemarana's new government?

CONSTITUTIONAL CONVENTION

Eck agreed to go to the New Hebrides to help with a constitutional convention. The French government accepted Eck in an advisory position along with one of their own lawyers, Armand Lizop. The idea was to have a *confederation* constitution that would allow each of the four districts in the New Hebrides to write its own federation constitution.

Eck flew to Santo on April 9. Twenty chiefs representing every island in the New Hebrides had met for the convention. Even a chief belonging to the Vanuaaku party and representing Malekula, an old Vanuaaku stronghold, was there. Lini was losing support all over the islands as he threatened to bring in British troops to control them. For 10 days leaders chosen through the ancient ways of custom worked, hammering out a confederation constitution. It was finalized on the 16th or 17th of April, depending on which side of the International Dateline you were on, and was signed by all 20 leaders, including one from Vila.

Lini, meanwhile, had asked Jimmy to meet him in Vila, but Jimmy refused, fearing for his life. (During the convention, Eck had narrowly escaped death by deciding at the last minute not to fly to Vila. He was to have accompanied two moderate party leaders who in an airport on the way, according to local papers, were gunned down by Vanuaaku terrorists.) So Lini came to Santo, apparently hoping to reopen the proceedings with a group of his people and to modify the constitution. He told the convention that his commissars would review their constitution, to which Chief Alfred Maleau replied: "You can take your communist commissars and go to hell." Returning after lunch, Lini said: "Wash my hands of it. Affairs of Santo blong man-Santo." He agreed to stop pushing his Tanzanian-modeled constitution and left.

Eck stayed to help write federation constitutions for Vemarana and Tafea, the southern federation consisting of Tanna, Aniwa, Futuna, Erromango, and Aneityum, from which it takes its name. (The 1976 constitution was no longer sufficient because of the confederation arrangement.) The third and fourth federation groups wanted him to stay and write their constitutions, but he had to return home. Reports are that they have adopted ones modeled very closely on the other two, almost identical, federation documents, which strictly limit government. From Article II, Section 2, of the Vemarana constitution: "All political power is inherent in the people. The government is instituted solely for the protection and security of the people in order to prevent

force and fraud." Not surprisingly, attention is also paid to custom. From Article VII, Section 12: "Notwithstanding any law or provision of this Constitution to the contrary, any controversy between any person or entity may be resolved by Custom tradition, and neither the courts nor the legislature shall have any jurisdiction over such resolution, provided, however, that one party to the dispute is living under Custom Law."

"TROUBLE IN PARADISE"

Eck left the New Hebrides in late April believing that the battle was won. Lini had agreed to bow out, and it was just a matter of time until the 18th of June, when the Vemarana constitution was scheduled to go before the people for approval or disapproval.

Back in Vila, however, Lini's hands had again become dirtied. He refused to drop his plan to impose his constitution and refused to go along with the federation/confederation arrangement. Late in May a member of Vanuaaku escorted the American ambassador to Fiji on a trip to Tanna. Speaking to a group of federation-minded natives, the ambassador told the shocked assemblage that US support and foreign aid would be available to the New Hebrides only if Lini's government remained in power.

The speech infuriated the Tannese. They revolted, seizing the Condominium government offices. On May 27, the British in Vila sent in a mobile police unit that retook the offices. The Na-Griamel people decided that the only hope for Vemarana was to act quickly. Convinced that Vanuaaku was planning to seize power—with the help of British forces, if necessary—in the pre-dawn hours of May 28 they marched on Santo, surprising the officials and securing control. The federation of Vemarana was proclaimed a new country.

The world press wrote it all up as a rebellion against the British-French Condominium government, no doubt relying on press releases from Walter Lini. The Condominium, however, was already scheduled to die a natural death. It was the commissars of the Vanuaaku that the people of the New Hebrides sought to overthrow.

True to form, Lini called for the Condominium to crush the federations. When the British and French could not agree on a plan of action, Lini said that he would get the British to put down the rebels if the French wouldn't cooperate. The British evacuated all their subjects from Espiritu Santo, but most soon returned. Lini cut off all communication lines with the rebel islands and attempted to blockade supply boats. By June 2, all of the Condominium police taken on the 28th had been released, and Vemarana police had taken over normal peace-keeping functions. "All law and order have broken down," warned Lini. The Vemarana police arrested two boys for stealing a transistor radio.

The people of Tanna attempted a second revolt in the second week of June, but well-prepared police drove them from headquarters in a burst of gunfire. Alexis Iolu, a prominent opposition leader and member of Parliament, lay dead with three bullets in his body, and natives say that Walter Lini's minister of fi-

CONSTITUTION FOR A NIU KUNTRI

Explanation of the 1976 draft constitution, presented to the New Hebrideans in bichlemar. (Editors' suggestion: Read out loud.)

Na-Griamel Federation emi nam blo wun niu fela kuntri blo iumi.
Na-Griamel Federation emi gat wun buk we i cal constitution.
Constitution emi wun kin buk we i mak olgeta law blo wun kuntri. Emi Namata blo law.
Emi se wat rit blo evri man. Emi se planty tabu blo kapman.* Emi se rod blo iumi we iume gat power go fri.
Constitution emi rit lo english. Sepos wun solicitor emi tri brekem constitution blo iumi, i mus fit wun strong buk. English emi wun strong we tok-tok.
So iumi gat wun buk we i tok-tok lo english. But evri wod blo buk i tok-tok lo rit blo iumi. So iumi red ia, lo bichlemar, we buk blo iumi emi tok-tok.

RIT BLO EVRI MAN MO EVRI WOMAN

1. Evri man mo evri woman emi gat rit lo lif blo im. Evri man, sepos i swet, i gat rit kip wat i ern.

2. Evri man mo evri woman emi gat rit own graon o eni somting we man i gat power hol im.

3. Evri man, mo evri woman, i gat rit own musket. I gat rit own eni kin musket.

4. Evri man mo evri woman i gat rit hav wun gud fela trial. Sepos wun man emi gat truble witem law, emi gat rit go lo wun gud fela cort.

5. Evri man mo evri woman i gat rit com olgeta witem planty otha fela wen i want tok-tok, o wen i want pre, o wen i want save wun samting blo custom.

6. Evri man mo evri woman i gat rit tok-tok fri. Kapman i gat no power telem iumi eni kin tok-tok emi rong.

7. Evri man mo evri woman i fri go, i fri com. Kapman i gat no power stap iumi. But iumi gat no rit walkabout graon blo nother fela, sepos i no se i gud.

8. Evri man mo evri woman emi gat rit mak moni, sepos i save makem moni. Kapman i gat no power mak moni no mo.

9. Evri man mo evri woman i fri com olgeta witem eni pipol i chus. Kapman i no got power telem iumi wat pipol iumi gat rit marry, no wat pipol iumi got rit tok-tok witem.

10. Evri man mo evri woman got rit mak contract, sepos i wantem.

11. Evri woman got rit long havem pikinniny o no.

**kapman:* government official

12. Kapman i no got power whipem eni man. No docta i got rit cutem iumi wan niu we, o givem iumi wan niu fela medsin witoutem iumi se i gud. No man I gat rit kilim notha man firstim.

13. Evri man mo evri woman emi gat rit fit wen som man i tri kilim im. Sepos iufala got polis lo protek iufala rit blo fit i no finis. Rit is i stap witem evri man mo witem evri woman alltim.

14. Evri man mo evri woman emi gat rit chus we i wantem ting-ting, mo wat relijun i want, mo wat custom i want. Kapman i gat no power tuchem ting-ting blo man, mo relijun blo man, mo custom blo man.

15. Evri man mo evri woman emi gat rit do bisnis. Kapman i gat no power tuchem bisnis.

16. Evri man mo evri woman emi gat rit stap witoutem tret, witoutem som man i givem frit. No man i gat rit mak tret o givem som otha fela frit firstim.

17. Evri man mo evri woman emi gat rit do wat i chus witoutem kapman i luk mo witoutem kapman i lissen.

18. No man mo no woman mus do wok lo witnes lo cort witoutem pe. Pe i mus be sam-sam fo wok man i do evri de.

19. No man mo no woman i mus wok lo jury, sepos i no wantem wok lo jury.

20. Kapman i got no power takem man we i mus fit o we i mus wok witoutem man i se i gud firstim.

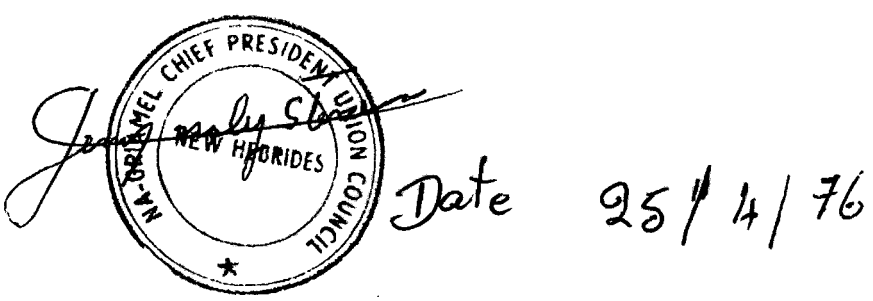
21. Kapman i gat no power lo ae wat buk i se, mo wat cinema i se, mo wat magazin i se.

22. Evri man mo evri woman emi gat rit do eni kin bisnis witoutem kapman emi se wun wod.

23. Evri man mo evri woman i gat rit we no man i gat right tel kiaman lo bisnis.

24. Kapman i gat no power tak tax, mo i gat no power tak duty lo eni man.

Lo papa ia, iu no gat olgeta constitution blo iumi. But iu got som small we nao, we iu gat power save rod blo iumi lo Niu Heorides. Sepos iu gat wun question lo constitution blo iumi, iu fri rit lo Hedquarter blo Na-Griamel, lo Tanafo.



nance killed him. Alarmed, the French flew 55 riot police from New Caledonia to Vila, whereupon the British announced that they would land 200 marines. The French withdrew their special forces, having seen that no civil war was developing and not wanting to provide the British with justification for landing their troops. The British landed anyway.

In the United States, the New York Times News Service quoted a State Department spokesman saying that the United States "does not condone the reported interference in the internal affairs of the New Hebrides by U.S. citizens" and added that an investigation was under way to determine whether these activities "are in violation of U.S. criminal Statutes." Back in Carson City, State Department investigators were asking a lot of questions. Even Interpol was in town, going so far as to check out a gold and silver trading firm with *Phoenix* in its name. Could Oliver be prosecuted under the Logan Act, which under some conditions makes it a crime to contribute to a foreign cause? "If they want to use the Logan Act, let them use it on the National Council of Churches, which supports the World Council of Churches in full knowledge that some of the money is used to buy weapons for terrorists," says Oliver.

So what did the libertarians get out of this? Thus far, nothing. Make no mistake, Oliver sees nothing wrong with making money on the deal, but he realizes the political exigencies of the situation. A development corporation formed by him, Eck, and Hospers has been turned over to Vemaranans. Na-Griamel once gave Oliver a small island; he says he intends to offer it for use by Vietnamese boat people. So will he ever make money out of the situation? Probably, if Vemarana maintains its independence.

As the July 30 independence date neared, Walter Lini asked for military aid from the socialist government of Papua New Guinea. He was promised troops, planes, and patrol boats. Alarmed, Stevens called on the French for protection. The French conferred with the British, then dispatched 100 French troops from New Caledonia, joined by 100 of the British troops from Vila. The joint force, under French command, landed in Santo town on July 24. At press time it was unclear whether they would remain after July 30.

Thus, the future of Vemarana remains very much up in the air, dependent not on the "intervention" of a handful of American libertarians but rather on the relative power of outsiders: Walter Lini and his armed socialist allies, a British government allegedly committed to free enterprise, and a French government whose tacit support for Stevens is now on the line.

Will the Vemaranans be forced under Lini's control? Or will this one small experiment in Third World free enterprise be allowed to continue? Affairs of Santo may "blong man-Santo"—but the eyes of the world are now on the new country of Vemarana. ◻

Patrick Cox is a freelance writer and REASON's Spotlight columnist. He has a bachelor's degree in economics from Boise State University and is writing a book on immigration.

ANTITRUST: FREE-MARKET DILEMMA

A distinguished British scholar questions an American institution

BY ARTHUR SHENFIELD

IF FREE ENTERPRISE is a good thing, isn't it even better for the law to ensure that it runs smoothly? Shouldn't the framework of law required to protect people's freedom of enterprise, to protect each free person from force and fraud, be expanded so as to protect people also from the antithesis of free enterprise and competition—from monopoly?

After all, the hallmark of a free-enterprise system is that producers must compete with one another to win the business of consumers and are thus not the masters but the servants of those consumers. And if this is a happy arrangement, it would seem utterly benign, even imperative, to have laws that would *force* producers to be the servants and not the masters of consumers—or laws, at any rate, that would at least smile upon competition and scowl upon monopoly.

This is the view that, traditionally and for quite a long time, free-market economists tended to have. It is the view that I was brought up on. It's what I was taught by free-market economists in England, some of whom were amongst the most distinguished in the world.

Indeed, they often asserted that the zip and zing, the vigor, of the American economy as compared with the less vigorous economies in Europe was to a considerable extent the result of the fact that the American people in their wisdom had understood the true nature of this combination in the free-market economy of freedom plus a framework of law. And thus, by devising a body of antitrust law—the Sherman Act and the Clayton Act and the Federal Trade Commission Act, etc.—the American people had fashioned the most vigorous economy in the world, and the British, the Germans, and the others should follow them. This was so much the received wisdom after World War II that in fact both the British and the German governments set about doing this, and they too have produced rather embryonic antitrust systems.

This article is adapted by Reason from an extempore speech given by Professor Arthur Shenfield to the Libertarian Law Council in Los Angeles.

THE DEMISE OF AN IDEA

I believed all this. But I've now been teaching antitrust law in this country for quite some time, and the closer I have come to it the more have I been driven, ineluctably, to the conclusion that the antitrust system is counterproductive in the context of the framework of law required by the free-enterprise system. That it does not protect competition; that in fact it injures competition. That it does not protect and serve the interests of free enterprise; on the contrary, it injures it. That it does not destroy untoward, undesirable monopoly; that what it actually does and tends to do more and more is to set up a fiction, a strawman which it calls monopoly, and then it bowls that strawman down and in the process does harm to the efficiency of the American economy.

Whereas a generation or so ago most economists who supported free enterprise took the view that I was brought up on, they are rapidly changing. What is likely to arise pretty soon is a clear cleavage of opinion between, on the one side, economists and to some extent businessmen—businessmen hurt by the antitrust system—and, on the other side, lawyers, politicians, and bureaucrats. Because lawyers, politicians, and bureaucrats have a very large investment in the antitrust system, which they're not likely to let go very easily. This is a conflict which I think is going to become a very heated one and one that all libertarians, at any rate, ought to watch with great interest and possibly bated breath.

History itself partly accounts for the waning fortunes of the view that the vigor of the American economy can be traced to the antitrust system. First of all, the inventive Yankee, the go-getting American businessman, were famous characters long before 1890, when the Sherman Act was passed. And second, the antitrust system was not vigorously enforced for many years after 1890, and then there were interludes when it was and then it wasn't. And yet, of course, the American economy for a long time—no longer now, and partly because of the antitrust system—but for a long time was indeed the most vigorous free-enterprise economy there was. Thus, historically it isn't true that antitrust law was *the in-*

genious American ingredient of a successful economy.

But it has also become increasingly clear that it's not true conceptually. If we look at the antitrust system as it has developed and as it has been construed by the lawyers and applied by the courts, we find plenty of evidence that it has been the enemy of freedom of enterprise and the enemy of the competition that formally it is supposed to protect.

And this raises a really important question: Is this because the antitrust system was ill-drafted or ill-understood by judges who don't know anything about economics? Or is it because inherently it *has* to take the baleful character that I suggest it has taken? That's the really fundamental question. But before taking up that question, let's consider the evidence that it is harmful to enterprise, harmful to the efficiency of the economy, harmful to freedom, harmful to competition.

The guts of the antitrust law are to be found in sections 1 and 2 of the Sherman Act, section 2 of the Clayton Act as amended by Robinson-Patman, and sections 3 and 7 of Clayton. I'll leave Sherman (1) for the end for the moment, because that is that part of the antitrust system where my indictment may conceivably be rebuttable and may conceivably have less force than in all the other cases.

GUILTY OF BEING GOOD

Sherman (2) makes it an offense to monopolize or to seek to monopolize any field of business—interstate business, of course. (All commerce, however, is now treated by the courts as interstate commerce. It's almost impossible for any commerce now—even a hamburger stand—not to be treated as interstate commerce.) And how has this been understood by the courts, and possibly still more in the active intervention now promoted by the Justice Department and the Federal Trade Commission? (While the FTC doesn't deal with the Sherman Act, it does handle certain other matters, mostly the Clayton Act, which impinges upon Sherman (2).) The activities that have been found illegal under Sherman (2) are activities that superficially could be held by unschooled judges to fall within the rubric of seeking to monopolize a field of business but in fact are innocent and beneficent.

Let's take, for example, the most notorious case of all, *Alcoa*. In 1941 a District Court dismissed the government's antitrust case, amounting to some 140 charges and allegations, against the Aluminum Company of America. The government appealed, and in 1945 Alcoa was found guilty of monopolization of the aluminum ingot market in the United States. It was the most ludicrous judgment that you could possibly have handed down from an august American court, and by a judge of the highest distinction, Judge Learned Hand, who completely misunderstood the matter before him.

It may well be true that price fixing and market sharing are often bad—but is law the proper remedy?

Alcoa was found guilty of an offense under Sherman (2), not because it used any nefarious practices, not because it engaged in predatory pricing, not because it did any of the things that John D. Rockefeller's Standard Oil Company was found guilty of in 1911 or the American Tobacco Company was found guilty of, partly falsely, in 1911. Alcoa was absolutely innocent of any kind of nefarious practice, but guilty only of this: of, by the court's own admission, being so efficient and, better still, so prospectively efficient that it was able to have what is called a monopoly. That is to say, if you measured it in one way Alcoa had 90 percent of the aluminum market and another way 66 percent of the aluminum market, although if you measured it in a third way it was only 30 percent.

Now either of the first two measures might have justified calling it, loosely, a monopoly. But it was that precisely because it delivered the goods to the American people—without the faintest hint of any kind of nefarious practice—and above all it was so efficient that it forecast future demands quicker and better than anybody else could and therefore nobody else succeeded in displacing its position in the market. Of course, later, it's true that two big competitors, Reynolds and Kaiser, did come up. But at that stage, they weren't there. This, Judge Hand discovered strangely, utterly strangely, was an offense against Sherman (2).

The *United Shoe Machinery* case, decided in 1953, was another ludicrous case. The ruling of Judge Wyzansky was not quite so obviously ludicrous as the position of Judge Hand in the *Alcoa* case, but as soon as you really look under the surface you'll find it is in fact on a par with it. The United Shoe Machinery Company, again, was what it was because of its marvelous efficiency, because it supplied the shoe industry with its needs for machinery optimally, because in fact every shoe manufacturer in the country regarded it as his great friend, as his great efficient supplier. But nevertheless, because it operated according to certain leasing agreements instead of sale agreements, and because Judge Wyzansky came to the conclusion that the peculiar character of these agreements forestalled competition from others, therefore it was guilty.

ECONOMICS IGNORED

There are lots and lots of other cases that show all the economic errors, fundamental economic errors, that the courts in this country have been guilty of in dealing with Sherman (2). And it continues to this day. Not long ago, for example, a case was initiated against Dupont for having acquired 40 percent of the market in titanium dioxide, a pigment chemical. It has done it very quickly because of its efficiency, because in fact it has satisfied the demands of the consumer better than any other chemical company. But that very process makes it suspect, terribly suspect, to the mandarins of the Justice Department and, in this case, of the FTC.

The interesting thing is this: in all these cases, the classic indictment of the monopolist is forgotten by the courts—even forgotten in the construction of Sherman (2). An essential part of the classic indictment that the economists have always leveled against the monopolist is not merely that he raises prices because of his monopolistic power but that he reduces supply. He cuts back supply to a level lower than it would be in the so-called purely, or perfectly,

competitive situation. Yet in these cases, these criminals who have been indicted and found guilty of contravening Sherman (2) have achieved the percentages of their markets precisely because they did the *opposite.* They did not cut back the supply. They increased it and satisfied the requirements of the consumers accordingly.

Why is that aspect of "monopoly" completely forgotten? Because the administrators and to a large extent, regrettably, the judges in this field have fixed in their minds now a mechanical measure of what is illicit, and that is a percentage of concentration. If you find that in the widget industry, the top four companies control 60 percent of that industry, that's bad—prima facie, obviously, ipso facto, per se! It's bad. *Must* be. And it's got to be broken up.

Now Alcoa and United Shoe Machinery would not have been so big if they had not been so efficient. But if they had been much less efficient, would it have meant actually better competition or any real competition? Of course not. They were the *successful competitors.* And they were not successful competitors because they had what is called monopoly power; they had the concentration *because of* their success as competitors.

Regrettably, this idea that concentration is itself, ipso facto, bad has captivated the minds not only of the public but of legislators and the courts. Yet what I am saying is not a defense of bigness, and it's not a defense of smallness, and it's not a defense of medium size. The public tends to get its mind perverted and debauched by slogans such as "small is beautiful." But, of course, any intelligent person knows that small is beautiful, big is beautiful, medium size is beautiful; all *effective* sizes are beautiful and all *ineffective* sizes are ugly. And that's the point. It's not the actual size that matters but the effectiveness of it—its power and success in serving the interests of the consumer. And in its attention to size, the whole thrust of antitrust policy under Sherman (2) has been contrary to those very interests.

NO TO "MARKET POWER"

Nor has the record with the Clayton Act been any better. Clayton (2), especially as amended by the Robinson-Patman Act of 1936, was meant to protect the small trader from the large chains of retailers, to protect the Mom and Pop stores from the menace of A & P—Safeway I don't think existed at that time. Of course it so happens that actually the people who are going down now are A & P and Safeway and so on, and the people who are coming up are now the new Mom and Pop stores. That illustrates, fortunately, the still flickering light of free enterprise and competition that the rulers of this country have not yet managed to extinguish.

In its attention to size, the whole thrust of antitrust policy has been contrary to the consumer's interest.

And how did the Robinson-Patman Act and, less explicitly, Clayton (2) propose to provide this protection of small retailers? In fact, by *preventing efficiency* in the service of the consumer. It's nonsense! You've only got to look at the cases decided under the Robinson-Patman Act, and you will find situations where it is an offense to reduce your price, where it is an offense to raise your price, and where it is an offense to keep your price unchanged. And indeed there is a lot of other nonsense that arises in all the Robinson-Patman cases.

Then look at Clayton (3), which raises a terrible specter. There mustn't be tying contracts; there mustn't be exclusive requirement contracts. These are bad. Why are they bad?

The tying contract is bad because the man who "ties" widgets to gadgets and makes you buy the package together is gouging you—he's making a profit on two commodities when you only want to buy one. Could anything be more clear? But of course, if you only want widgets, you won't pay extra to get widgets + gadgets. So in fact it is impossible in a tying contract for the tier to make "two profits" just by tying two commodities. It is an impossibility, but not in the eyes of the American courts, and still less in the eyes of the Justice Department or the FTC.

The same thing applies to exclusive requirements contracts. If you, as a retailer, want to carry a certain supplier's widgets and the supplier requires that you also carry his, and only his, gadgets, it may look like he's foisting something on you. But again, it is an impossibility for the seller to make the same profits twice by such a device.

In a more sophisticated way it is often alleged that the devices themselves may not be odious and harmful in that they enable the seller to reap a higher profit, but the power to make a tying contract or an exclusive requirements contract is evidence of undesirable market power. That too is a mistake. And even if there were truth in it, then the thrust of policy, of the law, should be to deal with the undesirable market power and not with a mere indicia of the undue market power—if it were true, which it largely isn't.

ENEMY OF CONSUMERS

And then one comes, in Clayton (7), to merger policy and to the craziness of the decisions in the *Brown Shoe,* in the *Philadelphia National Bank,* in the *Proctor & Gamble* cases. They not only make no sense at all; they make nonsense on stilts, as Jeremy Bentham once said and would say again if he were alive now. Take the famous *Vons Grocery* case in Los Angeles. Vons Grocery wants to merge with Shopping Bag, and Vons Grocery has got 4 percent of the Los Angeles retail market and Shopping Bag has got 3 percent. That adds up to 7 percent—Oh my God! That's going to cause fantastic harm to competition in retail trading in Los Angeles; we've got to stop it. And stop it they did.

Not only has the trend of public merger policy been the wrong way for years, but as anyone could have forecast, it is apparently about to culminate—if the views of the Justice Department and the FTC are accepted by Congress and the courts—in the most preposterous thing of all: that in the future not one of the 200 top American companies will be allowed to merge with any other firm. Now notice how protective, not of competition, but of the opposite of competition this is.

For consider, if this principle were adopted, what it would mean in a typical case, shall we say the airlines, which are of course still partly under the CAB and not under the Justice Department or the FTC with respect to mergers. It would mean that if, say, United Airlines happens to be the top company at this moment then it must be the top company till kingdom come, and if American Airlines is number two at this date then it must be number two till kingdom come—unless it be that without any process of merger United fell and American rose or Eastern fell and National rose, etc., etc. But one of the ways in which a dominant position is undercut, and properly and desirably undercut, is in fact by the process of merger—not always by merger, not by a long chalk; but freedom to merge when in fact the merger happens to be the most economic way of breaking up a situation that is congealed. And the enemy of the consumer is a congealed situation and the friend of the consumer is every kind of force that breaks up congealed situations.

Yet the judges, the lawyers, the politicians, and the bureaucrats in this field have been dominated by the idea that they must congeal situations; for if that's not done, some people will become very big, and that's bad, and they will then have to be broken up. And so the whole thrust of antitrust policy has been to harden the arteries of American business, as if there aren't enough other matters that are hardening the arteries of American business—all the regulatory weight, all the requirements of EPA and OSHA, etc., etc., etc. And the antitrust system adds most balefully to it.

UNNECESSARY TAMPERING

But I left out Sherman (1). Sherman (1) deals with cartels, with price fixing, with market sharing. Is this not fundamentally bad, fundamentally contrary to a free-market, competitive situation? Is it not right that, out of the debris of the antitrust system, at least Sherman (1) should be retained? Polished perhaps, but nevertheless recovered and maintained?

Well, that's a debatable matter. It may well be true—it probably is—that there are many cases of agreements to fix prices and to share markets that are bad and should not happen, that you don't want to happen because they are harmful to free enterprise. But that doesn't end the question. Two questions then follow. First, is law the proper agency to deal with them? And second, are you in fact dealing with matters of minor, very minor, importance and thus directing your gaze away from matters of supreme importance in the very same field?

My answers are that law is not the proper agency and that in fact Sherman (1) deals with molehills and not with mountains. Still, I am much less enthusiastic about what I say in dealing with Sherman (1) than I am in all the rest, and I wouldn't mind terribly if it were retained because some of it that's there by accident does a little good and may not do a great deal of harm. But essentially it's not necessary.

If in fact you see to it that the essential features of the free-market economy are not undermined by governmental power in other ways, you need worry very little about private agreements to fix prices and share markets. They will happen and they can be bad occasionally, but they always break down; they never last, can't last by their very nature. And that's why you needn't worry much about using the blunt instruments of law to deal with them *if* you don't let price fixing and market sharing be engineered by the government with seven-league boots, as in fact it does. Every form of really powerful, anticompetitive behavior in the American economy of the character addressed by Sherman (1) is carried out by the government.

BIGGEST MONOPOLIST

It is the government that has, for example, the massive and fantastic farm support program. Is there a greater instance of fixing prices and restricting supplies and all the other things for which monopolies are damned, than the farm support program? The man now in the White House probably could never have dreamed of becoming president of the United States if it hadn't been that the price of peanuts in this country, by reason of the farm support program, is 2½ times the world price of peanuts. How could he ever have become as moderately wealthy or perhaps more than moderately wealthy as he is? Of course, when the housewife goes into a store and picks up a jar of peanuts, she doesn't worry that in fact she's paying 2½ times the world price. But when it comes to meat and wheat and corn and so on, you ought to worry about it and should have been worrying for years. That's the government.

And then there is the massive monopolistic power, the worst of all, of private license power in the form of labor unions. The government by way of the Wagner Act, only partially and inadequately modified by the Taft-Hartley Act, gave the unions fantastic private license monopolistic power. Nothing in the whole of the US economy compares with that.

(Continued on p. 50.)

Coming Attractions

- **Building Codes:** Have you ever tried to build a house? Or gone house hunting and wondered why they all looked the same? A REASON reporter tells the true story about building codes—what they do for the home buyer, and who they really protect.
- **A Primer for Parents:** How do we explain to our children that education is great but *compulsory* education is abhorrent? And if we can't afford the alternatives, how can we help them to cope with government schooling? Psychologist Peter Breggin offers some helpful hints.
- **Warren G. Harding:** Could a president who carried the principle of government inaction to its most lofty limits have been all bad? Michael McMenamin has a few kind words for this poker-playing, lazy libertine.

Plus Viewpoint columns by Jim Davidson and Alan Reynolds, hints on maximizing your investments and minimizing your taxes, plus all of REASON's regular features.

by M. D. Isely

TOADS VS. ROADS

The Bureau of Land Management is making plans for the California desert. The outcome will affect land use across the nation.

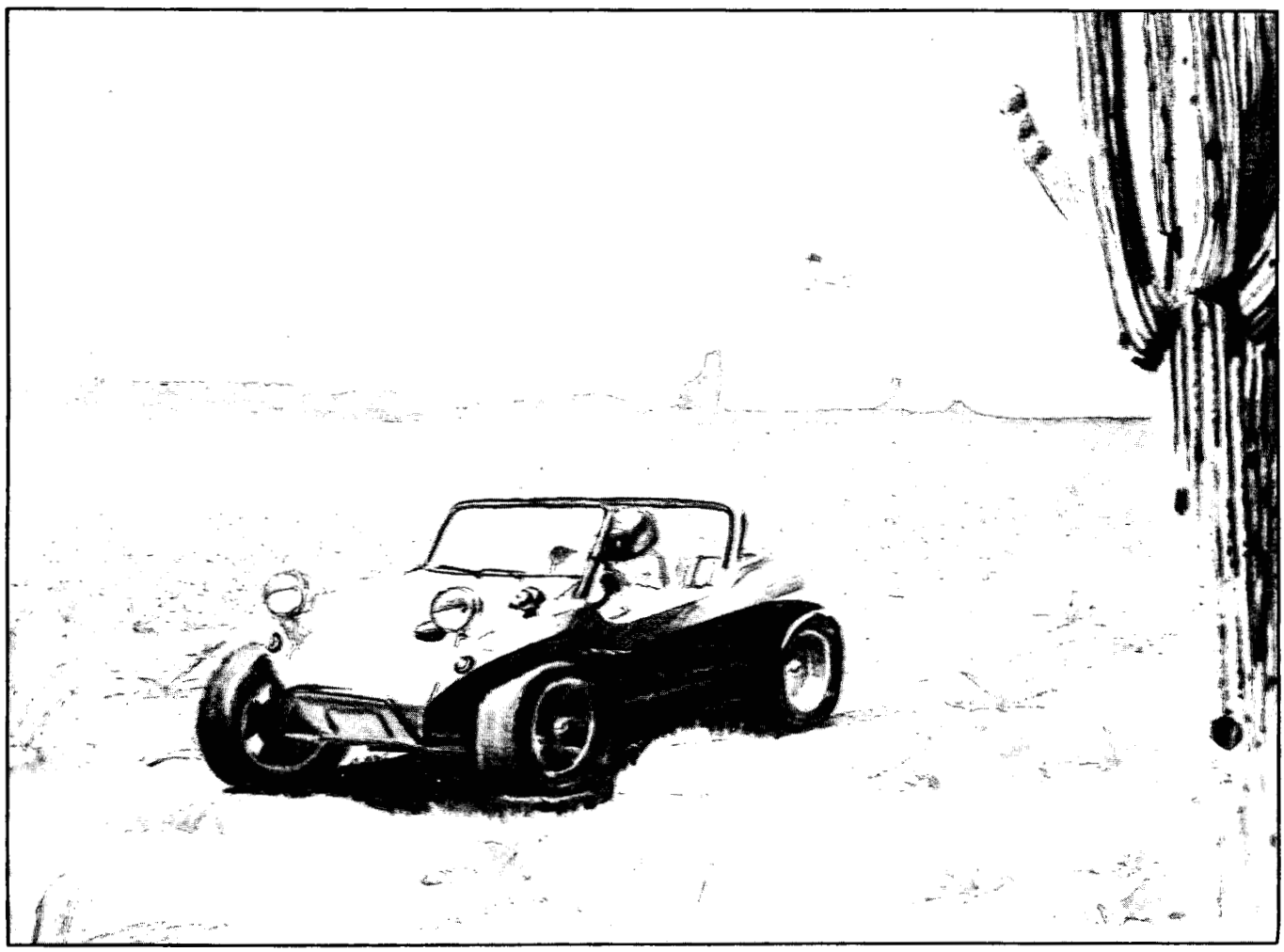


Illustration by Christopher Brennan

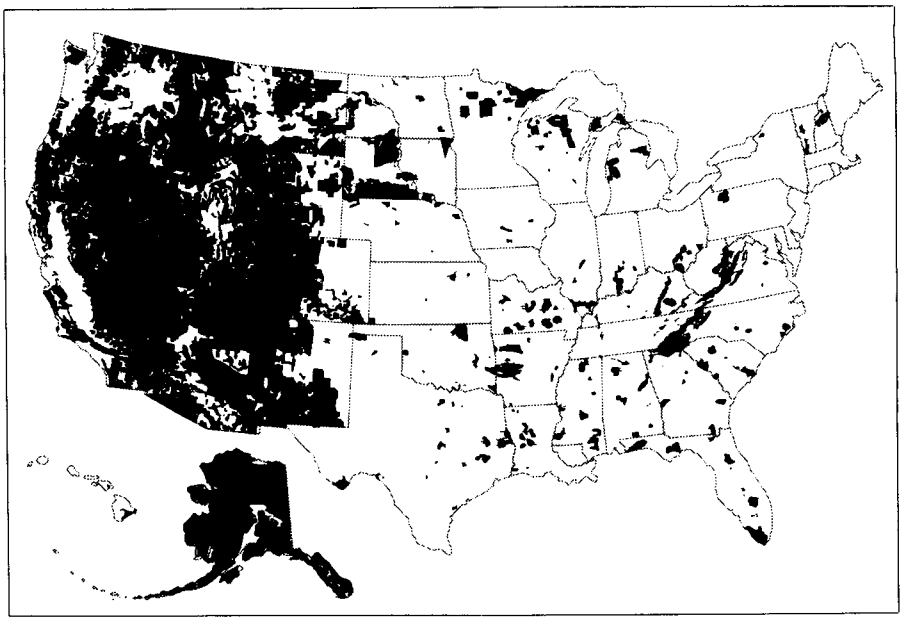
I LIVE ON THE FRONTIER, the interface between civilization and wilderness. But civilization is advancing on me.

It is in a remote part of the upper Mojave Desert that I live, in California's Inyo County. Inyo County is the home of Mt. Whitney and Death Valley—the highest and lowest points in the continental United States—and of vast stretches of desert. It is sparsely populated, with less than two persons per square mile. Yet it is close to one of the most densely populated areas in the country, the Los Angeles basin.

But civilization advances on me and the other frontier dwellers, not from Los Angeles, but from Washington, in the guise of the Bureau of Land Management. "This land is your land," sings the BLM. In fact, of the county's 6.5 million acres—an area almost the size of Maryland—a mere 1.8 percent is privately owned, with the rest belonging to local, state, and federal governments. The whole of California is 45 percent federally owned, and in Inyo County the figure is twice that—90.0 percent. As the Bureau of Land Management says beguilingly to the reader of one of its documents: "it is about *your* land; the Public Land...which belongs to you and all the people of the United States." So most of the land around me is owned by some 219 million absentee landlords spread across the country.

Of course, all of these owners can rest secure in the knowledge that their holdings are administered by a duly appointed manager. It has been around since 1946, when the Interior Department's General Land Office and its Grazing Service were merged into the Bureau of Land Management. The BLM is responsible for 473 million acres of federally owned land—20 percent of the land area of the United States—and for mineral use on another 369 million acres of privately and federally owned land, as well as for 1.1 billion acres of the Outer Continental Shelf.

"For years," says the BLM, it "performed a role as a low-key caretaker of the public domain lands left over from apportionments to the Forest Service, and National Park Service, and other land management agencies." But civilization marches on. There is an increasing population, with an expanding technology and "a change in the nature and complexity of its values." And so, says the BLM, it "was compelled to shed its former stance as a passive and low-key manager."



Land owned by the federal government is shown by the darkened areas. (Map by Russell Arasmith. Copyright 1979, Los Angeles Times. Reprinted by permission.)

Congress helped out by providing "a clear statement of policy and modern legislative mandate" for administration of the public domain. In 1976 it passed the Federal Land Policy and Management Act, otherwise known as the BLM Organic Act. And that's how a good part of Inyo County came to fall within something called the California Desert Conservation Area, the first "Designated Management Area" being planned by the BLM under the 1976 act. Precedents will be established here.

The problems facing the BLM are writ large in Inyo County. Because of the vast extent of government land ownership, there is great concern with access to the public domain. Travel here is almost exclusively by motor vehicle, and this applies to the public domain, where motor vehicle trails, established during the 1920s or earlier, provide ready access. But the act provides authority to close such trails in wilderness areas. Equestrian trails or foot paths would be permitted, but most people haven't the time or the means to travel that way.

A major reason for the impending closure is the damage done to the countryside by a certain type of driving—what can be called sport driving, as opposed to transportation driving. Sport drivers compete against one another or, more frequently, against the terrain itself, much as a golfer competes against a course. Under some circumstances, on some types of soils, some driving can be destructive of the landscape if it is concentrated enough. Photographs of some of the overused areas have had national circulation, but the accompanying cut lines or articles never mention that such areas amount to a tiny part of the desert wilderness. And so a vast misconception is growing, on a national scale. People who have never visited the desert are mobilizing to save it.

SECTION 601 of the Federal Land Policy and Management Act of 1976 designated a 25-million-acre chunk of California—a quarter of the state's land surface—as the California Desert Conservation Area (CDCA). "The use of all California Desert resources can and should be provided for in a multiple use and sustained yield management plan to conserve these resources for future generations, and to provide present and future use and enjoyment," said Congress.

The California desert is already being used, of course. By the BLM's reckoning, the CDCA provided 15.4

million recreational use days in 1978, and the area includes 100 desert communities with over a half-million residents, three major agricultural valleys, large mining operations, numerous undeveloped residential lots, 3 million acres of military bases, 2.5 million acres of national and state park lands, 11 power plants, 15,000 miles of paved roads, 3,500 miles of power lines, 12,000 miles of oil and gas pipelines, over 100 communications towers, and 12.5 million acres of otherwise unallocated public domain—"National Resource Land"—administered by the BLM.

For the BLM's half of the CDCA, Congress gave specific instructions: "The Secretary of the Interior...shall prepare and implement a comprehensive, long-range plan for the management, use, development, and protection of the public lands within the California Desert Conservation Area." (The BLM subsequently expanded the designated area by 33 percent to include 4 million acres "where National Resource Lands are intermingled with other ownerships which must be included in inventory and planning.") Congress included a date—September 30, 1980—for completion of a plan and the beginning of implementation.

So the BLM set about planning. It called together a 15-member advisory committee with representatives from government, industry, science, recreation, Native Americans, and the general public. It conducted inventory and analysis of seven resource areas: range and vegetation; recreation; geology, energy, and minerals; Native American values; soil, air, and water; wildlife; and wilderness. It held public meetings and hearings. It drafted three alternative plans for the area—"use-oriented," "balanced," or "protection"—prepared the required Environmental Impact Statement (EIS) for each plan, and printed it all up in a 1½-inch-thick, 11-by-14-inch book with 25 fold-out maps. Then it held hearings on the three plans, with an eye to molding a single plan and the accompanying EIS by the end of September.

A major variation among the options is the amount of land that would be recommended to Congress for inclusion in the National Wilderness Preservation System. To

In 1976, Congress designated a quarter of California's land surface as the California Desert Conservation Area.

be considered as wilderness area, land must satisfy four criteria specified by the Wilderness Act of 1964:

- appear affected primarily by the forces of nature, with man's work basically unnoticeable;
- have outstanding opportunities for solitude, or primitive, unconfined recreation;
- amount to at least 5,000 acres, or be of sufficient size to make its preservation practical;
- may also contain ecological, geological, or other features of scientific, educational, scenic, or historic value.

Using these criteria, the BLM designated 5.7 million acres, or 46 percent of BLM-administered land within the CDCA, as Wilderness Study Areas. Congress has final say-so over the Wilderness System, and while it is making up its mind—which by law may take as much as 11 years—the BLM must preserve that 5.7 million acres under wilderness study essentially as is.

Under the BLM's "protection alternative," nearly all of the study areas—5.2 million acres—would be recommended for wilderness status and completely closed to motor vehicle use. The "balanced" and "use" alternatives would set aside 1.8 and 0.6 million acres, respectively. Presently, no land in the CDCA is so designated, and for the BLM, this means that "needs for wilderness experiences [are not being] met."

Yet in Inyo County, for example, transportation driving has been practiced since early in the automobile era—*without damaging the environment.* The BLM identified 159 potential wilderness tracts in Inyo County and made an exhaustive evaluation of them. *Only two* of the 159 were found to be damaged by motor vehicles, and even here the damage was classified as slight. But for this very reason—because it has so much pristine wilderness—Inyo County is in danger of having access to that wilderness cut off by the closing of its unobtrusive automobile trails.

Is the fear that sport drivers either haven't found Inyo County or are waiting until they wear down other areas closer to Los Angeles? Such an assumption is unsound. A sport driver needs a challenge, and there is small challenge in a trail that has been traversed by two-wheel drive automobiles, with street tires, for half a century. There are also numerous areas where no vehicle can go. The challenge is too great even for a Caterpillar tractor. So it is unnecessary to close trails to protect the terrain from vehicle damage. The damage occurs in competition areas, not along trails.

CONGRESS MUST HAVE known where the battlelines would be drawn. The Organic Act admonished the BLM to pay particular attention to "outdoor recreation uses [of the desert], including the use, where appropriate, of off-road recreational vehicles"—or ORVs, as they're called. But where is such use appropriate? That the BLM has tried to determine by following the law laid down by Congress: Ye shall listen to every interest group. These interest groups, unfortunately, harbor misconceptions about the effects of sport driving, and they played a prominent role in the BLM hearings.

At one of the hearings, Dr. Wilbur W. Mayhew discussed the spade-foot toad. This remarkable creature buries itself in the mud in the bed of a drying lake and enters a state of suspended animation called estivation. It can live in this condition, without water, for several years. Once it rains, however, the toad is

aroused from estivation and within four hours has made its way upward to the water on the lake.

Almost as an afterthought, Dr. Mayhew said that he wondered how the toad could recover so quickly. It must be aroused, he theorized, by thunder *preceding* the rain. At the time, I dismissed this last observation as a flimsy hypothesis and thought no more about it. Then the next day another scientist, Dr. Bayard Brattstrom, presented data on the impairment of hearing in desert creatures as the result of man-made sounds.

Dr. Brattstrom had analyzed sounds. He had specifically analyzed the sounds made by motorcycles and had concluded that some of these could be mistaken for thunder. He further theorized that, should motorcyclists race across a dry lake, the spade-foot toads would hear the "thunder," leave their mucous cocoons, and burrow upward through the hardened mud to await rain that would not fall. Unable to return to estivation, they would then die.

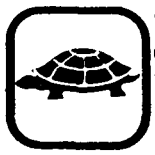
Now I have nothing against the spade-foot toad, but I cannot convince myself to be alarmed for its safety. If motorcycle sounds reverberate like thunder over a dry lake, I suppose that the toad does whatever it has always done, down through the centuries, when actual thunder unaccompanied by rain has sounded—a not uncommon occurence.

I wonder how many of those present were aware of the sophism. It was so cleverly accomplished, by two speakers, on succeeding days, that it deceived the recording secretary. The official account reads: "The experiment was conducted several times and they [the toads] came right out." I was listening most intently at the time, and Dr. Brattstrom didn't say that. He couldn't have, for he conducted no experiments with toads; he merely *theorized* about applying his own sound experiments to another scientist's *theorizing* about spade-foot toads. But with careful phrasing of what he did say, even the secretary was fooled. The report was approved and sent to many who were not at the meeting.

In human terms, this was most unfortunate. Most of those present knew nothing of either dry lakes or spade-foot toads. They didn't even realize—and were not told—that only a very few of our myriad dry lakes harbor spade-foot toads. Some of them probably left the meeting with a crusading fervor to hire guards to drive some poor little child with a Terra Tiger away from any and all dry lakes.

It's not that the hearings were rigged. But *anything* said in the name of environmentalism is taken these days as objective evaluation, when much of it is in fact advocacy. What we heard about the spade-foot toad was a legal brief presented, by scientists, as scientific investigation.

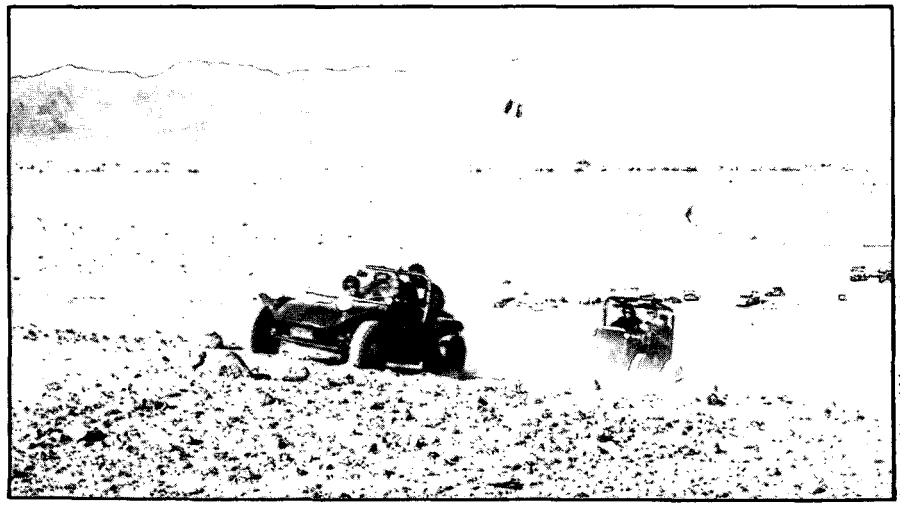
Some speakers, however, gave factual and balanced reports. In discussing the bighorn sheep, for example, Mr. Lloyd Tevis concluded: "Now I'm going to tell you something I'm not supposed to say." He then described bighorn sheep wandering through a subdivision, eating from gardens along the way, and told of a bighorn sheep eating salt from his colleague's hand. Influential people wanted a preserve of several hundred square miles set aside for the bighorn sheep—an area that *no* human could enter. They claimed that otherwise the sheep would become extinct, because it cannot live in the presence of man! Mr. Tevis refused to conceal the truth in their behalf.



"THE CALIFORNIA DESert environment is a total ecosystem that is extremely fragile, easily scarred and slowly healed," said Congress in designating the California Desert Conservation Area. This is often said and never proved. Remember that the area covers a quarter of California. It is noted for its great diversity. Just 23 miles from the hottest part of Death Valley lies the ghost town of Panamint City, with a climate about like Denver's. In places, less than two inches of rain falls each year; elsewhere, water and hydroelectric power are exported. The pupfish live in one ecosystem and the tule elk in another. Because of abrupt changes in altitude, highly diverse ecosystems often exist side-by-side.

Extremely fragile, easily scarred, and slowly healed? This is selectively true but false as a generalization. A lava flow or a granite mountain is neither fragile nor easily scarred, although, once damaged, healing may be impossible. A dune, while easily scarred, is quickly healed by the wind. The little spring flowers appear fragile but are in fact quite tough. They must be to withstand the battering of the sand-laden wind. Stepped on by a human, most of them will spring right back up. Some will even recover if stepped on by a horse. Of course, if a horse eats one, that is the end. Humans are forbidden, by state law, from gathering wild flowers. In this respect, a California horse enjoys a privilege denied a California citizen. Of course, motor vehicles can damage little plants too.

And the terrain? A motor vehicle trail may run across a desert pavement. This is an area where wind had carried away all the fine particles of sand and earth, leaving a surface of smooth stones. Such a trail displaces



Bureau of Land Management

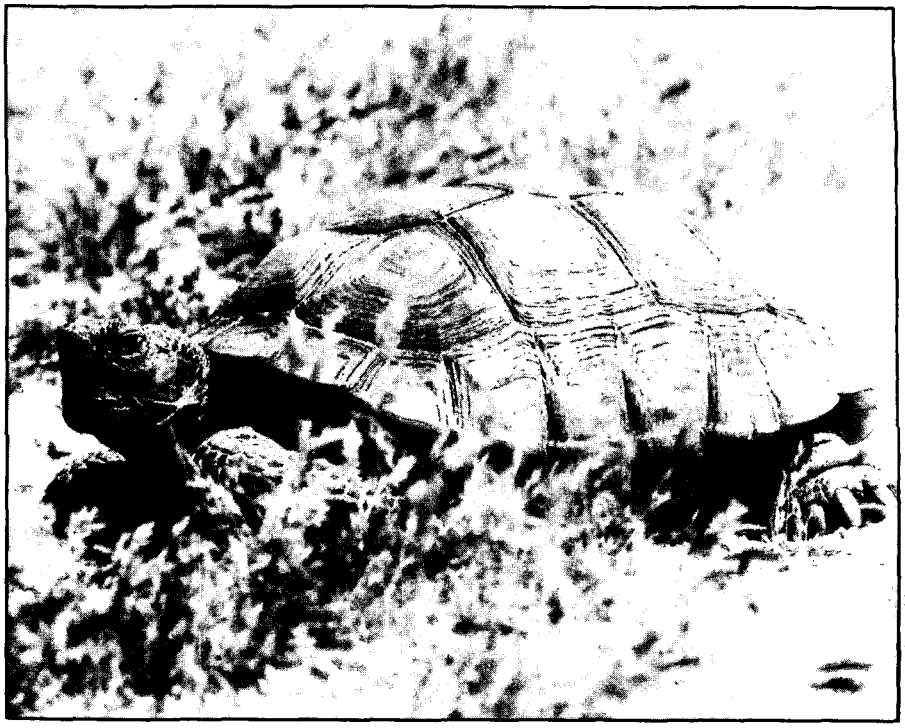
Off-road vehicles in the California desert. Congress instructed the Bureau of Land Management to pay particular attention to allowing for outdoor recreation uses of the desert.

nothing. A trail may cross dunes or run along the bed of a sandy wash. In this case the sand is displaced, but the action of wind or water will replace it. A trail may run on solid rock or on compact soil, at the bottom of a canyon where it is hardly noticeable. Some trails pass through sand, clay, or loam in fairly level countryside. These cause some damage, especially if a watercourse forms along the trail. But the water must run somewhere and would form a watercourse nearby if there were no trail. Altogether, transportation driving, along trails, has no great impact. But, of course, the hot issue is sport driving.

Dr. Howard Wilshire of the US Geological Survey testified that a motorcycle driven in a manner that will do the *least* damage can completely obliterate an acre of short grass in 20 miles of travel. I once detected some extremely faint tire tracks in an area devoid of vegetation, but I was unable to track the vehicle. When, after considerable investigation, I discovered what it was that made imperceptible tracks, I bought one. It is called a Trail Breaker, but the name is utterly misleading. After going through short grass I never try to follow my own tracks in return—I can't tell where they are. The Trail Breaker is a two-wheel drive motorcycle. It weighs 180 pounds and has tire pressure of 4½ pounds per square inch (psi). An 1,800-pound horse will carry the same load and exerts an average pressure of more than 20 psi.

Here is a bias built into the law itself. It has called for extensive studies of motor vehicle damage, but no one bothers to evaluate equestrian damage. The law does not call for such a study. The underlying assumption had been that pack or saddle animals will do no damage or at least negligible damage. Thus an unbalanced report has been presented. It has been further unbalanced by dealing exclusively with the most serious cases of motor vehicle damage rather than providing an overall evaluation.

Consider Dr. Wilshire's statement about ORVs: "The procedure for climbing grades or for acceleration is with the wheels spinning." I can only conclude that the man has never witnessed normal desert driving. Someone who, after prodigious effort, is failing to reach a goal is said to be "spinning his wheels." No serious travel, by any vehicle, for any appreciable distance, is done with the wheels spinning. Spinning wheels are likely to skid sideways from a trail. Spinning wheels, if the vehicle is not moving, will dig holes from which they cannot climb, and the vehicle will be stuck.



Bureau of Land Management

A desert tortoise. The California desert is noted for its diversity of wildlife.

Controlled wheel spinning has some applications in sport driving, just as it does in earth moving. And some drivers spin their wheels aimlessly, just as some hunters shoot at signs. But, contrary to Dr. Wilshire, it emphatically is not standard operating practice for all acceleration and hill climbing by everyone.

Sport driving does, if concentrated, cause ecological damage. The BLM's solution is to set aside competition areas—different amounts under each of the plans. But that's already happening anyway. Contrary to extreme environmentalists, ORV drivers would not take over the desert if only they could. In fact, what's been happening is that ORV clubs, oil companies, and private individuals are buying or leasing land on which to drive. They are free to install whatever facilities they desire and to employ contractors to shape the land to their liking. Without public intervention or subsidy, sport driving enthusiasts are taking steps that turn out to be environmentally sound.

Off-road sport driving, after all, is in its infancy. At one time golf was played on the commons, and there was ice skating for hundreds of years before the advent of the enclosed all-weather rink. Today, both golf and skating have reached new levels of technical perfection and mass popularity because they are better done on courses and in rinks.

And a sport driving course does not have to be destructive. The Trona Sidewinders motorcycle club owned a course in Inyo County. It was much used, and as many as 2,000 spectators have visited it at one time. Yet it made such a small overall impact that the BLM inventory team did not think it worthy of mention!

IN 1978 THE BLM interviewed several groups of people who regularly visit the wilderness. Dune buggies were disliked by 27 persons. Four-wheel-drive vehicles were opposed by 50. Motorcycles distressed 103. But the greatest number of all, 114 people, were concerned with government itself. These included bird watchers. A group not interviewed—the frontier dwellers—have only one overriding concern; it too is with government.

There is no general agreement to-

day about what should be done with the public domain, but there is near-universal agreement that its management by the BLM is unsatisfactory. Consider the Free Roaming Horse and Burro Act of 1971. The BLM estimates that between 200 and 300 burros are illegally taken from the public domain in California each year. But it took seven years of BLM enforcement to produce the first conviction in September 1978.

This displeases the burro lovers who pushed to have the act passed, but the Panamint daisy lovers don't mind. They want the law repealed. Burros are selective browsers and favor Panamint daisies, which are endangered because they are usually found by burros before they can go to seed.

Multiply this sharp disagreement by several hundred, and it becomes clear why the BLM cannot administer "everyone's land" to everyone's satisfaction. One solution is to make it into someones' lands—to resume a policy of private purchase of the public domain. The land most valuable for mining would be purchased by miners. ORV clubs would purchase land desirable for their purposes. And so on down the list of multiple users of the California desert.

It is widely believed that *this* way of arranging for multiple use would result in the last pockets of wilderness in America being grabbed up by people who, caring little for the beauty of nature, would ruin it. But nature lovers, too, could get into the act. There is a vast wilderness left, and if they truly value it, environmental organizations, scientific groups, and the like could, often in cooperation, purchase land and maintain it as they now wish the BLM would but often can't because of conflicting public demands. And wouldn't a genuine nature enthusiast be happier guarding a part of the wilderness than raising funds to hire a lobbyist to live in a Potomac penthouse?

There is a popular assumption that one cannot put a price upon an irreplaceable resource. We have a good working precedent, however, in the field of irreplaceable works of art. These are sold, at auction, to the highest bidder. This system has protected these irreplaceable treasures down through the centuries. The person with the highest bid is obviously the person with the best possible combination of means and desire to protect the treasures.

And so we can well imagine numerous small nature museums, each protecting one or several ecosystems, with the variety possible under individualized management. This, of course, runs counter to the plans of those who envision vast empires of wilderness under rigid federal control, but the desirability or effectiveness of such control is open to question. On the other hand, a group concerned exclusively with preservation can substitute its own well-managed quality for the government's quantity.

What can be done about places in the wilderness where great crowds congregate? By definition, such places are no longer wilderness. Mt. Whitney is one such. Every holiday, only a few thousand of those who desired to climb the mountain can make the trip; the rest are turned away because the facilities are inadequate. But no one climbs Mt. Whitney to find wilderness. It is climbed because it is the highest point in 48 states. Foot races are held on the trail to the top. People who seek wilderness go elsewhere—to Inyo County's Mt. Olancha, for example, where one could spend a week on top without encountering anyone else, and where the view is much broader than from Whitney.

The BLM cannot administer "everyone's land" to everyone's satisfaction, and the California desert is just a case in point.

Yet overcrowding at famous scenic spots can be reduced if the number of visitors is taxing the environment. The way to do it is to raise the admission. Our national parks are a good example of bad policy in this regard. Only nominal user charges are made, and the crowding that prevails threatens the ecosystems of our more popular parks. There is only one Yosemite, yet the owner of a $20,000 motor home can park it there for less than it would cost to put his vehicle into dead storage. Yosemite becomes a place to sleep 'til noon, tune the engine, bake a cake and, in the evening, watch ghosts on TV—all of which can be done anywhere. Admission fees set up on a sliding scale, depending upon the space occupied by the vehicle, would reduce crowding at scenic sites yet keep them affordable for those on foot with a pack or rucksack.

THE FEDERAL LAND Policy and Management Act of 1976 states that it is the intent of Congress to stop selling any more of the public domain. Yet selling it would solve the problem of multiple use, of determining which potential use of a piece of land is most valuable. It could place wilderness land, like any other land, in the hands of those who know and care most about its disposition. Environmentalists might not end up with as much as they'd like, but they don't under BLM management, either. Even the BLM's "protection alternative" for the California Desert Conservation Area, with 43 percent of the BLM-administered land set aside as wilderness, was declared unacceptable by the Sierra Club: off-road vehicle users, limited to 5.5 percent of the land, would not be "adequately controlled," said a Sierra Club spokeswoman; and then there's those undesirable animals—the burros.

Instead of selling the public domain, Congress has settled on multiple use via legislation, overlaid, as it inevitably will be, with legal and administrative precedents that are bound to become increasingly obsolete in a changing world. We have much to learn from the desert wilderness. The massive things here—the mountains, the alluvial fans, the dry lakes, and the dunes—are beautiful. But in an otherwise untrammeled wilderness, big government is not beautiful. ◻

M. D. Isely is a self-employed machinist and occasional author. His published works include Interurban Special 19: The Arkansas Valley Interurban Railway. *He served on a BLM advisory committee in the early '70s.*

THE TWO FACES OF CAPITALISM

The counterculture may know more about capitalism than they think they know.

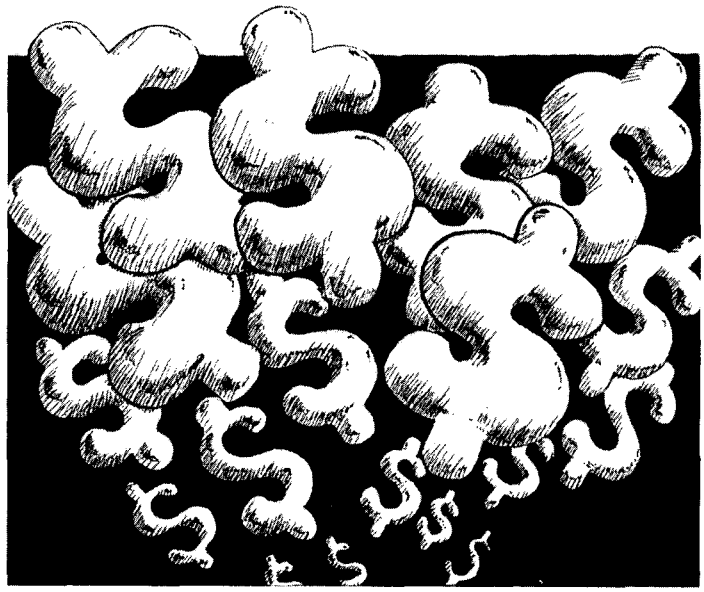


Illustration by Melissa Neale

BY A. LAWRENCE CHICKERING

The decline of American capitalism is perhaps the dominant concern of libertarians and conservatives. This concern has many names: saving "capitalism," "the system," our "market economy," "the American way of life." When people bent on this concern get together, they rarely question what it is they are trying to save; they just *know*.

Despite the apparent consensus, there is good reason to believe that people who consider themselves allies do not begin to agree on what it is they want to save. Their most fundamental disagreement is over the nature of capitalism itself. Without resolving the conflict, the "pro-capitalist demonstration" (such as it is) will remain confused and incoherent. Moreover, understanding the terms of the conflict may open possibilities for new alliances and for recruiting new advocates.

The confusion becomes obvious in contrasting the attitudes of the business community with those of the counterculture. Leaders of big business condemn the intrusions of big government—except where the intrusions affect them; and then, more often than not, they argue that "special circumstances" make government regulation a matter of high national interest. The counterculture, on the other hand, attacks "the system" and capitalism on behalf of "the people," demanding government intervention of all kinds, while often themselves engaging in one of the purest forms of market capitalism left in our society: the production and exchange, in an almost perfectly free market, of goods and services valued by the counterculture, including handcrafted items, natural and organic food products, day care services, and classes in various forms of consciousness raising. It is interesting, of course, that in all the State socialist systems the counterculture admires, most of these activities would be outlawed and the counterculture condemned as parasites.

Understanding these anomalies must begin with the fact that for at least a century and a half the word *capitalism* has been used to describe two entirely different things. On the one hand it is taken to mean the social system identified with Western industrial (bourgeois) society, while on the other it describes an economic and political *process* in which people of greatly diverse views—some identifying with bourgeois society and some opposing it—are left free to exchange what they value, with relatively little interference by government. Despite great differences between these two concepts of capitalism both theoretically and increasingly in outward appearance, the word is used by almost everyone without appreciation for the vastly different meanings it conveys.

THE SOCIAL VIEW

In the former view of capitalism, the word is taken to refer to the social systems of most Western countries since the Industrial Revolution: what Joseph Schumpeter called the civilization of capitalism. The precise associations depend, of course, on the observer. If he likes the system, he will think of freedom, prosperity, hard work, self-discipline, the Puritan Ethic, opportunities for upward mobility. If not, he will think of status seekers, class obsessions, mass commercialism, pollution, loss of "quality" in life, and persistent inequality.

The social vision of capitalism is preemptive; it governs most perceptions of capitalism's nature, and it dominates the terms of public discus-

sion—for fundamental and obvious reasons. When people use the word *capitalism,* they evoke an image of what people are doing and thinking and valuing; and while this includes the value of freedom, it does so only as one value among many.

Historically, money and money making have been widely thought to be intrinsically important to capitalism. The reason for the association is no mystery: the word *capitalism* itself comes from *capital,* which suggests money; "capitalists," therefore, are those whose *purpose* is to make money. The emphasis on money even appears when we ask what sort of *freedom* is central to capitalism. The answer is the freedom to contract, which to most people means: the freedom to make money.

The importance of money is a central perception of the social view of capitalism; and money is also important in producing the enormous social consequences, both positive and negative, emphasized by both advocates and critics. These include both prosperity *and* (a new form of) class conflict; both freedom *and* "mass commercialism."

Even those who emphasize freedom as capitalism's dominant value often unwittingly yield to the social vision. While libertarians do emphasize freedom, many of them have a very clear idea of how that freedom should be used and how it should not. The result is often akin either to Ayn Rand's "morality of selfishness"—fiercely individualistic, rational, self-seeking—or to the libertinism of some on the left. In either event, libertarians' tendency toward strong opposition to self-sacrifice, to public spirit, and often to religion reinforces the social view of capitalism as inherently materialistic.

The historical background clarifies the modern debate on the social view. Thus, the battlelines tend to be drawn by perceptions of *motive*—of *why* people are doing what they are doing. Those who support the civilization of capitalism do so for reasons having vaguely to do with the Protestant Ethic and hard work and the middle-class achievement ethic. In broadest terms, they support the core values of American society—of bourgeois society. On the other hand, opposition is generally felt toward the motives, values, and life style that opponents perceive in the middle class; and these objections underlie their opposition to capitalism. Opponents see materialism everywhere they look, and they attack *the system of free exchange* for the corruption of motive, while appealing to the "higher idealism" of social systems that seek goals loftier than the accumulation of material riches and class distinctions.

This attack makes people in the business world uneasy, and they usually respond with Chamber of Commerce slogans about how "profit is not a dirty word." There is great and pathetic irony in such responses, which only show how ill-equipped business persons are to defend capitalism. In fact, most conservative businessmen do not *begin to be* as materialistic as the intellectuals who attack them, but they often believe caricatures about themselves. (Those who doubt my claim about intellectuals are referred to the writings of Mr. T. Wolfe.)

The great challenge is to restore to the "capitalist ideal" the possibility and prospect of virtue and of commitment to the good life.

Although defenders of capitalism as a social system tend to emphasize virtue (hard work, self-discipline) and order rather than freedom, its opponents *do* invoke individual freedom, though of an unusual kind. Opponents defend their right to be free *from* the civilization of capitalism—to be free from the core values of American society, including the middle-class achievement ethic as well as traditional religious and moral values associated with the "American way of life." Opponents, rightly or wrongly, see capitalism as *enjoining* those values on people who want to avoid them, who want to avoid bourgeois mores and culture.

The tensions expressed in opponents' attacks on what they might call the "life-style imperialism" of capitalism—or really, of bourgeois society—are captured perfectly in the descriptive phrase "free enterprise." In its social context capitalism, it is true, stands for freedom; but *not only* freedom: the civilization of capitalism emphasizes free *"enterprise"*—and opponents thus begin to wonder, perhaps correctly, if "enterprise" has not replaced freedom as the dominant concern of the advocates of capitalism.

CAPITALISM AS FREEDOM

All of this—life styles, motives, life goals and ideals, and so on—has very little to do with the other concept of capitalism, pursued by most libertarians. Beyond its social and psychological setting, the second sense of capitalism conspicuously avoids judgments of the social system associated with Western industrial society. Rather, it defends the idealism of an economic and political system that permits individuals freely to choose what they wish to value, free from government coercion. The idealism of this second view is manifest precisely in its unwillingness to judge the social conditions that result from it or the motives of the people in it: the idealism lies in the hope that people left free will choose the good.

It is important to understand that the libertarian commitment to capitalism as freedom is idealized, perhaps to extremes. For as noted, many libertarians actually import into their advocacy of freedom a strong commitment to life styles and moral values, thereby compromising their "value-free" advocacy of freedom.

There is a point at which the two senses of capitalism run together. But although it is possible to support a free-exchange economic system without embracing the civilization of capitalism (as many libertarians do), almost all defenders of the social system (mostly businessmen) also pay at least lip service (though often no more than that) to the free market.

The major critics of capitalism have concentrated their fire on capitalism as a social system; and since they control the terms of debate through their control of mass media, the social context of capitalism—including social attitudes, the role of the middle class, the problems of status, equality, and "alienation," and the "quality of life"—defines today, as it has for a century and a half, the terms of debate over cap-

italism as an economic and social system. To most critics, advocates of capitalism are engaged in defending—or *must* defend, whether they like it or not—the civilization of capitalism; and that means they must defend the obsessive, materialistic motives that critics see everywhere in bourgeois culture. This burden is relieved very little by recitations of capitalism's very considerable achievements. It is a major burden to be overcome by those concerned about freedom, especially by many libertarians, who in their passion to defend the *process* of free exchange care nothing *as libertarians* about the civilization of capitalism.

In concentrating on the civilization of capitalism rather than on individual freedom, the public debate unfortunately avoids contact with capitalism's incredible idealism—which is built on the contrast between the civilization of capitalism as it is (or as critics see it), and the hope, with people left free to choose what they want to value, of what it *might be*. This idealism lies not in the social context but in its commitment to freedom—in the other concept of capitalism—which until now has played little part in most people's perceptions of capitalism's essential nature. Until now, the social context has governed public perceptions, which explains both business support and counterculture opposition.

The great challenge facing those who wish to arrest the decline of capitalism is to restore to the "capitalist ideal" the possibility and prospect of virtue and of commitment to the good life. An economic system of free exchange is one that leaves people in it free to exchange what*ever* they individually choose to value, material or nonmaterial. Those proponents who bind capitalism to man's lowest instincts and aspirations—and even celebrate that use of freedom—only encourage the myth that capitalism is intrinsically materialistic and thereby collaborate in its demise.

Freedom of exchange and freedom to choose—indeed, by its nature, freedom itself—encompass the whole range of human possibilities and potentialities, the highest values as well as the lowest. The overwhelming idealism in liberal capitalism lies, not in appeal to lower values, but in aspiration to higher ones. It lies in the possibility that a purely capitalist society, based on individual exchange of values freely chosen, could one day become a community dedicated to virtue and idealism. ◻

A. Lawrence Chickering is the executive director of the Institute for Contemporary Studies, a San Francisco think tank. A graduate of Yale Law School, he worked for National Review *and then for the California Office of Economic Opportunity before helping to found ICS in 1975.*

Shenfield

(Continued from p. 41.)

So if you play around and fiddle around with Sherman (1), you may perhaps occasionally hit an outer or an inner, but you won't hit the real bull's eye. The real bull's eye can only be hit by taking the government out of this, not putting it in.

And how many people who get so excited about the role of monopoly, alleged monopoly, in the American economy, ever think of the effect of the tariff, obviously a great engine for the production of price fixing, of monopolistic power of a kind, of a nefarious kind? As was said many many years ago of Europe, the tariff was the mother of the trusts, which of course was correct. It's true that the American tariff is now far lower than in recent times, and that's a very excellent, beneficent development, but it still is there and still is important.

ANTICOMPETITION

But, having outlined the contrary effects of antitrust law, there remains the fundamental question. Is this merely the result of an ill-drafted system of law, an ill-understood system of law, the attempt to deal with economic questions by way of judicial dicta and incompetent judicial analysis? Or is it the case that no conceivable antitrust law could in fact be of the character that prima facie, theoretically—as I once believed and most free-market economists once believed—was its true character? I think the answer is the second. It's not just the misconceptions, the mounting misconceptions, displayed in the judgments in the various cases that have taken place in this country.

To see why, even theoretically, antitrust law cannot help the free market along, consider an example. Suppose I do have 90 percent or even 100 percent of the widget market at this moment. That could be because I am a dastardly monopolist and I have used various nefarious devices to get it. That could be because I have been the most successful, most efficient producer. But it could be also—and this is perhaps the most important insight that should be understood—a temporary phenomenon. It could be that in widgets I have seen something that nobody else has yet seen. But it's a risky matter, and I will only pursue my insights if I can expect supernormal profits for a time.

This will of course be utterly repugnant to the lawyers and the bureaucrats and the FTC and the Justice Department, that only my being able to capture for a time supernormal profits will in fact induce me to go ahead with this. And yet once I have captured these profits, the very nature of the process, if left alone, will in due course bring other people into widget making, which will then reduce my level of profits to a normally competitive one. How do you think politicians or lawyers would ever be able really to catch the differences between these particular cases? In my view, it cannot be done.

Regrettably, my own country—in admiration, of course, of the great successes of American antitrust—fortunately at a somewhat laggardly pace has been following behind, and even the Germans have caught this malady a little. But in my view the antitrust system, in its economic effects, is one of the great evils of American law—possibly greater than all of the regulatory demons, whom, I hope, you will be shooting down in the next few years. ◻

Arthur Shenfield is an economist and barrister at law. He has held numerous visiting professorships in law and economics and has lectured in Europe, North America, Latin America, and Australia. He served as president of the Mont Pelerin Society, 1972-74.

by Charles Fried

ORDERING PEOPLE AROUND

A Harvard law professor takes a stand against service to the State.

FRIEDRICH HAYEK'S apocalyptic forecast in *The Road to Serfdom* always seemed a bit exaggerated to many people. Yet certain ominous voices in the populist/egalitarian chorus now openly proclaim a readiness to jettison a crucial aspect of personal liberty—liberty of choice in type and place of occupation—in order to prevent the disintegration of their favorite schemes. Arguments are now being discovered to justify requiring, in peacetime, that free men and women convicted of no crime spend years of their lives at jobs and in places they do not choose, under the pain of financial penalties or of an outright bar on practicing the profession for which they have trained. Some of these partisans, going totally overboard, have proposed that *every* young person serve a period of years doing good works at the pleasure of the government or of some delegated nonprofit agency of good works.

The entering edge of the wedge is represented by proposals to cure the perceived maldistribution of physicians, although there already are incentive programs designed to deal with this maldistribution. The National Health Manpower and Training Act of 1976 allows forgiveness of student loans and assistance in setting up practice for those settling in underserved areas. Apparently because of the substantial financial and other rewards available in attractive urban and suburban settings, this system of incentives has proven ineffective. So schemes have been proposed whereby all but the wealthiest medical students would be forced to accept assignment for a period of years in rural or central-city practices designated by some governmental authority. Medical schools receive large quantities of federal monies to support the training of physicians; and since tuition payments (the loans to pay for these are the lever of the insufficient incentives in the 1976 act) cover only a fraction of the cost of educating a medical student, the proposal is that medical students be required to pay back a major share of this subsidy unless they agree to practice for a time in areas of governmentally designated need.

While there may be a maldistribution of doctors in our society, it is much more questionable that there is a maldistribution of lawyers. It is true that poor people have difficulties litigating their claims. But then so do middle-class people. Nevertheless, there is a vocal coterie of "public interest" lawyers, judges, and law professors who believe that what the poor need, above all, is not more money but more legal services.

Alan Morrison, who heads the Litigation Group for Ralph Nader's Public Citizen organization, has proposed that it be a condition of admission to the bar (that is, of being free to practice the profession for which they have been trained) that law school graduates be required to spend a one-year public-service internship handling cases for those who cannot command the time and attention of lawyers on the usual basis. Morrison adds that

such a system might serve the additional function of improving the general professional competence of law graduates. But he is candid enough to admit that, "first and most important," the program would make lawyers available to clients and in situations where lawyers apparently do not otherwise wish to serve in large numbers. Second, he notes that "because the internship would be mandatory, salaries could be maintained at a relatively low level." In other words, though there may be educational benefits, the motivating force behind the proposal is its ability to compel cheap labor in the service of what Ralph Nader's organization believes to be the public good.

Judge Marvin Frankel (who recently resigned his federal judgeship in the Southern District of New York to enter private practice) has found some of the same needs Morrison found and has proposed an even more radical solution. Frankel recognizes that large corporations and wealthy individuals can command the time, energy, and ingenuity of lawyers in a way that smaller businesses or ordinary persons cannot. Therefore, he would simply socialize the whole legal profession.

Under his proposal, prospective clients would obtain lawyers from a government agency, which would ration them out according to the urgency and merits of the client's case and reimburse them under a uniform salary schedule. Frankel is not clear whether law practice outside of this government monopoly should be forbidden, but at the least he claims there should be powerful deterrents to such legal free-booting—for instance, denial of the tax deductibility of legal fees paid to bootleg lawyers. (This last is but a detail in a scheme clearly intended to make government employment, distribution, and allocation of all lawyers the norm.)

And, finally, a wide array of public personages—senators, media pundits such as Eric Sevareid, and professional moralizers—have thought it would be a very good thing to go far beyond compelling professionals with scarce talents to serve somebody's conception of the public good. They propose that we revive the draft, generalizing it so that one's "obligation to the community" could be discharged by a period of public service.

A number of Pentagon and congressional armed services personalities have been quick to jump on this bandwagon, recognizing that even the fevered imagination of reformers would be unlikely to provide a year's useful—or even supposedly useful—employment for *every* man and woman reaching the age of 18. Consequently, a fair number of these young persons would in fact enter the military, thus reducing the budgetary pressure of the present voluntary army.

In this way, older citizens would get the defense establishment they desire at somebody else's expense; reformers and activists would have a huge pool of unwilling manpower at their command; and ideologues could proclaim the principle that every citizen owes not only his fair share of tax revenues but a fair measure of his person, life, and liberty—to be given in community service as defined in congressional legislation, implemented in agency regulations, and administered by the vast horde of not-for-profit public-interest organizations that would surely jump on this bandwagon.

If liberalism stands for nothing else, it affirms that no one's *person* belongs to another—not even to *every* other.

EMBARRASSING QUESTIONS

The principal point is this: in a free society a person may go where he wishes and, so long as he harms no one (*a fortiori* where he serves in a useful way as do doctors and lawyers), may do as he pleases with whom he pleases. It is the very essence of a tyranny for a government to assert a general power over its citizenry, directing where they shall live, what work they shall do, with whom they shall associate. If liberalism stands for nothing else, it affirms that each person owns himself—whatever other property may be accorded to him—and that no one's *person* (at least) belongs to another—not even to every other, that is, not even to the community as a whole.

These are axioms so basic, so deeply ingrained in Western society, that it is almost embarrassing to have to repeat them. Yet the quality of public debate today makes it plain that many American politicians and many more intellectuals have cut quite loose from these fundamental moorings. How has this come about?

I start with academic lawyers, because I know them best and because for generations they have rationalized what their former students have practiced in the political arena. Academic lawyers are trained to pose embarrassing questions designed to show that no principle is so fundamental, no case so clear, that a seemingly slight variation in the facts will not put it into doubt. Do I say that a free man in a free society may go where he pleases and engage in what harmless pursuit he wills? The academic lawyers respond: But what if he has not the fare in his pocket or the wherewithal to facilitate his favorite pastime? He is not free, then, is he? And do we not pay him, put money in his pocket, make him free for *social* purposes, for the good of the community? So why can we not restrict and direct his choices directly in the name of that same good?

That is how the argument goes. It starts by omiting the distinction between coercion and lack of opportunity and ends by justifying whatever coercion government proposes. So it is no surprise that someone who sees no differences between ordering another where to go and simply failing to make it possible for that person to go wherever he pleases will not long hesitate to propose solutions for social problems that involve directing people how and where to live their lives.

Now it is said that doctors and lawyers are a scarce resource—and have we not learned in the regulation of utilities and businesses affected with a public interest that scarcity is a predicate for regulation? Here again one is left almost speechless by the moral obtuseness that treats people as public utilities and cannot see the threat to liberty implicit in equating men and women with trolley lines or electric companies. To be sure, there are arguments about the wisdom or morality of much regulation of business and property, but a sensible person knows when an argument or a doubt is being pushed too far. And it is just my point that those intellectuals who follow their own arguments to the point of contemplating the so

cialization of *people* have quite simply taken leave of common sense.

Surely, it is argued, the case of the doctor is special. Not only are doctors a scarce resource, but in their case (unlike that of lawyers) a lot of public money has been spent for training, and so they owe a portion of time to that same public. Once again, rather than play the game of distinction and analogy, I ask those who use this dreadful sophism to consider its implications. Who in this society has *not* been trained and nurtured in part by public funds? Do we then all belong to the State? May it command the lives of any of us whenever the regime of free choice begins to seem too costly, too inconvenient, as one pursues some "moral equivalent of war" on cancer, or illiteracy, or slum housing, or billboards, or smoking, or impure air, or junk food?

EGALITARIAN TEMPTATION

Of course, in the last analysis, it is not the arguments of the academic apologists that will precipitate us into the slough of compulsion. It is the politicians who will do that, which means it is the forces making personal compulsion politically attractive that need to be identified. In general, the forces are fueled by money and power. The resort to personal compulsion is a last resort when politicians fear that the public will not pay the cost of programs pushed on behalf of abstract principles or, more likely, on behalf of some client group.

Consider again the suggestion that every young lawyer be forced to serve for a year at less than market wages. This is, after all, just the most recent version of an earlier suggestion that law schools assess all students a fee for support of public-interest research groups. Now it is surely no accident that those who made their reputations organizing public-interest law should see in that activity a universal panacea to the society's ills. And if it appears that not enough recruits are lining up to enlist in one's crusade, one turns to coercion.

But why are they not lining up? Not because there are not enough lawyers—indeed, many lawyers find it hard to obtain employment, and thousands leave the practice every year or never enter it after graduating from law school. So the bodies are there, but the pay and conditions of work seem unattractive, even compared to alternatives outside the profession.

Presumably, if society believed that the service the Naderites envisage were indeed essential, it could offer (from tax revenues) salaries to attract persons to it, but obviously no one believes that the public would be willing to tax itself toward this end. Thus, though Marvin Frankel is convinced that universal equal access to legal counsel is essential, the voters and taxpayers in our democracy probably are not—at least not enough to pay for it.

The political thrust for conscription of doctors is similar but its environment much more complex. Although reasonable salaries could probably attract young lawyers to any interesting, useful line of legal work, doctors seem to be able to create lucrative practices in the same overserved desirable locations almost ad lib. The reason, of course, is that doctors (far more even than lawyers) have operated for generations as a conspiracy in restraint of trade, systematically resisting institutions like prepaid health plans, interstate licensing, consumer control of hospital and insurance boards, provision of basic services by nurses or paraprofessionals. Until recently, government has been totally compliant.

Politicians recognize the threat that a free market spells to the very plausibility of egalitarian slogans.

Now when it is apparent that the dream of equal access cannot be achieved at anything less than staggering cost, the reflex of the health-care ideologues has not been to re-examine the dream to see if anyone really wants its fulfillment enough to pay his share. Nor is it their reflex to break the monopoly power of the medical profession in order to allow organized groups of consumers—such as employers, labor unions, fraternal groups—to shop around for the level of care their members desire, delivered at competitive prices. No, such a strategy might show that different people really do differ in their preferences for health care (when faced with the true costs and real alternatives), and this would undermine the plausibility of arguing for one level of health care for everyone. And so while 10 and 20 years ago politicians failed to work for a competitive regime in health care out of fear of the medical profession's political power, today that same failure may perhaps be traced to the threat that a free market spells to the very plausibility of egalitarian slogans.

But, financing apart, obviously any *Gleichschaltung* (or bringing into line) of all parts of health-care provision would require massive doses of compulsion at every level. Doctors could not be allowed to set their fees. And if they cannot set their fees they cannot demand more money for working in places and at specialties that seem less desirable to them. So compulsory assignments would again be the inevitable resort of planners who can neither persuade nor pay workers to go along with their schemes. Indeed, since we are a larger, richer, more ornery nation than Great Britain (for example), I doubt that a private-practice option could be kept within limits here. Patients would have to be forced to accept their medical care solely from the single national provider. Healing acts between consenting adults would have to be made illegal, unless approved by the government.

The menace is real. Egalitarian ideals, together with an understandable reluctance to pay or to ask one's supporters to pay the cost of these ideals, make the temptation to resort to conscription—to personal compulsion—almost irresistible. It starts with the doctors, goes on to the lawyers, and eventually gets to all young people so that the rest of us can have an army without really paying for it. Then perhaps we would conscript teachers, and finally we would find that everybody is so useful, or so unique, or so much affected with a public interest, that we all may be drafted into the service of the State. Which only demonstrates once again that whoever finds arguments to justify the loss of his fellow citizen's liberty is destined to lose his own. ◻

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Charles Fried is a professor of law at the Harvard Law School. This article is reprinted from Regulation, *published by the American Enterprise Institute.*

Stereotypes Live!

viewpoint

Murray N. Rothbard

Until this summer I had successfully resisted the idea of visiting any Communist country. Why should I visit a land that is dull and grey, people grim and shabby, with the specter of a police state all around me? (No, I never got to the point of thinking that I'd be hustled off to some Lubianka for being a "notorious bourgeois economist.") I still haven't seen Russia or China and don't intend to. But knowing that I'd be spending a glorious four or five weeks this June traveling around Germany and Austria, I was finally persuaded to spend some time in Hungary. "You must see Budapest," I was admonished by several friends of impeccable anticommunist credentials. So I figured I'd grit my teeth and go there—after all, Hungary *had* loosened up a bit in three decades—and then go to Yugoslavia for contrast. I had read that Yugoslavia was a happy land, free relative to its Communist neighbors; shrewdly, I decided to go to its most Western and most free-market-oriented areas—Croatia and Slovenia—and give backward and despotic Serbia a wide berth.

My first brush with the New Hungary came in Vienna, where I went to IBUSZ, the Hungarian state monopoly travel bureau, to get a visa. I had decided that, however much I might live off the land in Western Europe, in Communist countries I would insulate myself as much as possible by living in deluxe Hiltons or Sheratons. After surrendering my passport for 24 hours into the hands of IBUSZ—a creepy feeling already—I got my visa and then made my first big mistake. I asked the suave, slimy character at IBUSZ to reserve a spot for me at the Inter-Continental (safely Pan Am-owned) in Budapest. "Fully booked, sir," he replied. My instinct was to insist on the Hilton. In a moment of weakness, however, I allowed this creep to talk me into going to the Grand Hotel Margitsziget, which he assured me was fully air-conditioned and the second finest hotel in all of Hungary. Here he was unwittingly(?) aided and abetted by whichever jackass wrote the passage in *Fodor's Eastern Europe* that this hotel has "recently been completely reconstructed and modernized."

Maybe someday. The Grand Hotel Margitsziget was undoubtedly the toast of Central Europe...in 1910. Some decade hence it will be reconstructed. Meantime, it is a crumbling old ruin, with wires coming out of the walls, rooms collapsing, etc. In the dingy lobby, elderly ladies sit and gloomily watch whatever remains of the passing parade.

The key is breakfast. In Europe, breakfast is a noble meal, free with the room, usually consisting of orange juice, ham, cheese, rolls, coffee, and, in opulent hotels (such as the Holiday Inn at Augsburg, West Germany, bless it), bacon and eggs. In almost every hotel in Europe, breakfast was fit for a king. But not in the Grand Hotel Margitsziget. A few limp pieces of lettuce, a soggy roll, a few globs of pure fat, terrible coffee. "Welcome to Budapest!" I said to myself in my best Bela Lugosi accent.

Stereotypes are right. What a depressing place Hungary is! Buses are jammed with grim-looking people in shabby, drab clothes. The store windows have almost nothing in them. Even the tourist shops catering to Americans and Westerners are mostly bare. In contrast to happy, lovable, spanking clean, and well-kept Bavaria, the buildings in Budapest and the rest of Hungary are falling apart, and decay and misery seem to be everywhere. In our sightseeing tour of Budapest, the tour guide, in an unpleasant whiny voice in almost incomprehensible English, warned us not to have anything to do with various shady characters in the Square of Heroes trying to buy dollars with Hungarian forints.

When I finally got to the border of this decaying land, the customs guards (unique in all my travels in Europe) started their despotic examination. It turns out that no one is allowed to leave with more than 100 forints (a forint is approximately a nickel), and here I had about 1,000. I, of course, was happy to get rid of these forints and tried to find a way to exchange them for dollars, Yugoslav dinars, or whatever. But the Hungarian guards were adamant: I was way over the forint limit, and they would not exchange forints for *anything*. In short, once you were indiscreet enough to exchange your dollars for forints, no one wanted to take them off your hands.

"Papier! Papier!" the Hungarian guard exclaimed as he searched my wallet and effects for exchange-receipts for the damned forints. It turns out that he would only take back the forints if I had receipts, but who keeps the receipts when he exchanges his travelers' checks? The poor loon was at an impasse. He couldn't violate his Commie bureaucratic regulations and just let me through, but he didn't want to confiscate my 1,000 forints and create some sort of international incident. Finally, his little pig eyes found the solution: "Go. Buy souvenirs."

So the Hungarian guard prodded me to the kiosk where the Hungarians were selling a collection of ratty little souvenirs. All I wanted to do was to get the hell out of there, so I had to find a way, as fast as possible, to spend my $50 or $60 worth of forints on an armful of junk. Twenty minutes later I was released, and my wife was bemused to see me emerge from this Hungarian pesthole laden with heavy copper plate, red and white material, table cloths too small for tables and pillow cases too big for pillows, bottles of some Hungarian rum, and who knows what else. But at least I was out of Hungary.

Yugoslavia, in contrast, was delightful. Nobody cared how few or many dinars I had, nobody looked at my suitcases, nothing. The people *were* smiling and happy, the shops were filled, the roads were fine, and generally I felt liberated after a couple of days in Hungary. And while the Hungarian hotels grab your passport and only relinquish it when you check out, the Yugoslavian hotels don't at all; as a matter of fact, I almost lost my passport because I automatically left it at the hotel desk, to the great puzzlement of the staff.

There is not much to do in Ljubljana (capital of Slovenia), but I loved it anyway, especially after Hungary, and you can always get a hotel room at the Holiday Inn there (*even though it is*

owned by a second-rate Yugoslavian hotel and sort of tucked under it, so it is hard to find). I made contact with some university students, who knew a wee bit of English (I, of course, knew absolutely no Serbo-Croat or Slovenian). I tried to convey to them how much I preferred their country to Hungary, but all they wanted to tell *me* was their boredom with life in Ljubljana, their dissatisfaction with the status quo, and their dislike of old folk customs (the big thing to do on a Saturday night in Ljubljana is to watch a folk wedding.) They were also of the opinion that Yugoslavs are all lazy and incompetent whereas Americans are great because they work very hard. "How is it to work hard?" they asked me. It was all very sweet, but the language barrier prevented any more sophisticated communication.

So, once again, stereotypes turned out to be true. Pass up Hungary for at least a few more decades.

Murray Rothbard is a professor of economics at Brooklyn Polytechnic Institute of New York and the author of numerous articles and books on economics, history, and the libertarian movement.

taxes

Whither the Tax Revolt?

By Timothy Condon

On June 3, Californians went to the polls and soundly defeated a Howard Jarvis-inspired proposal to slash state income taxes by half. As is the case so often in California politics, the 61-to-39 percent vote sharply etched the outlines of clashing political and social forces. Hence, some observations:

• As Evans & Novak noted a week before the vote, "fear" was the key to the victory of what the columnists call "the governing class." That is, California taxpayers were convinced this time—as they manifestly were not in 1978 with Proposition 13—that if the bureaucrats' share of taxpayer income was cut, vital services would be disrupted as much as possible. The powerful educational combine was particularly effective, when University of California students and schoolchildren's parents were sent letters threatening severe program cutbacks and declines in educational quality.

• The June 3 Proposition 9 vote was different from the victorious Proposition 13 vote in 1978 because people's *homes* were not involved this time. Prop. 13, remember, was a *property tax* cutback. People were actually being forced to sell their homes and move due to virulently escalating property taxes. In the case of Prop. 9, the entire question was state income tax levels—and that meant a vote on a tax that is widely viewed as "fair" by taxpayers.

• Two forms of class warfare were exhibited in the battle over Prop. 9, one of which is old hat, the other relatively new and growing. The governing class sought to exacerbate the older type of class warfare, as tax consumers do in any such contest. "The Rich Will Benefit" is the tacky call to arms. Polls before the vote indicated that such appeals to greed and envy were not working; nevertheless, the "progressive" income tax is basically an institutionalized form of covetousness. Second, we see a newer, emerging pattern of class warfare: the governing class (or tax *consumers*) versus working people (or tax *payers*). Little noted during the campaign was the fact that—in addition to the current $2.5 billion state surplus—California property tax receipts by 1982 will *exceed* pre-Proposition 13 levels. This point meant little to the tax-consuming class: any reduction in tax collections means a decrease in their power, and that must be fought.

• Howard Jarvis is finally effectively playing the role that the anti-tax-reduction media chose him for in the 1978 Prop. 13 battle. Although the cranky, uncooperative 77-year-old hindered the 1978 campaign—as the mainline California media knew he would when they painted him as the "leader of the tax revolt"—the groundswell against excess taxation then was too strong. This time the strategy paid off more handsomely: Jarvis offended many with such one-liners as, "If the kids can't read, what's the use of libraries?" when questioned about threatened cutbacks. On another occasion, when a female heckler suggested he leave the state of California, Jarvis told her she "should go to Nevada to one of the houses they have there," meaning Nevada's legal brothels.

• The staying power of the tax-*consuming* coalitions is enormous, while that of the tax-*paying* groups in society is easily fractured and often shifting. This is easy to see, since the interests of the tax consumers are concentrated and sharply defined—like a gigantic, indestructible bureaucracy. On the other hand, working people have myriad other concerns and duties that take up their time and energy. The tax-consuming coalitions can devote all or most of their time to fighting threats to their power and privileged positions—after all, their very livelihood depends on it.

All of which spells bad news for taxpayers. Indeed, there may be a historical process at work here, involving any democratic society where unproductive or antiproductive elements are allowed to gain a position of power which they may solidify. In the Prop. 9 campaign, public employee unions alone poured over *$1 billion* into the fight to defeat the threatened tax reduction. On television, perhaps $100,000 was spent on pro-Proposition 9 television spots, while almost $700,000 was spent to defeat it.

What's the prognosis? The war is not over, by any means. Merely a temporary setback ("This is not the end of the tax revolt. It's a pause," said California Gov. Jerry Brown.). In the meantime, the battle continues, both in California and other states. And, it might be noted, the taxpayers' counterattack is increasingly taking, not one, but *two* forms: while both state and national taxpayer coalitions continue to press for political solutions to excessive taxation, the subterranean economy—which might be called the "social solution"—steadily deepens, expands, intensifies...

Timothy Condon is a tax specialist and attorney with the Condon & Vollrath Tax Service in Tampa, Florida.

The same thing is good and true for all men, but the pleasant differs from one and another.

Toil is sweeter than idleness when men gain what they toil for or know that they will use it.

Income from communally held property gives less pleasure, and the expenditure less pain.

—Democritus of Abdera
(*circa* 460-370 B.C.)

Although it is the privilege of the prince to coin money and to stamp it with his own image and name, yet for this reason money in circulation among the people is not his, nor is he himself the owner of the money current in his dominion. For money is the medium of exchange for natural riches and the equivalent of them. Therefore money belongs to those that have natural riches. For when a man gives his bread or the labor of his own body for money the money is his own after he has received it, just as the bread and labor were his and at his disposal.

—Gabriel Biel (1430-95)

spotlight

Peace Keeper

By Patrick Cox

Dick Kienast of Aspen, Colorado, sheriff of Pitkin County, seems to be the kind of law enforcer people have in mind when they talk about limiting government to the protection of individual rights. Kienast recently came in for national attention when *Sixty Minutes* and *People* magazine covered his continuing battle with the federal Drug Enforcement Agency (DEA).

The battle is this: Kienast has refused to allow any undercover drug investigation in his county. When the DEA tried to get around Kienast by placing surveillance equipment on private property—against the owner's wishes—the sheriff seized the equipment. A *Sixty Minutes* camera crew was on hand when the DEA came to reclaim it. The DEA has filed charges against Kienast for obstruction of justice. That Pitkin County's sheriff would be so obstreperous seems to be a particularly acute embarrassment for the DEA: by all reports, the agency has concentrated a lot of effort in Aspen because the population is young and financially successful, a combination that often encourages the use of recreational drugs like cocaine.

In 1976, 41-year-old Kienast ran to fill a term for sheriff, winning with 52 percent of the vote. He was elected for four more years in '78 with 54 percent, even though conservatives had organized a campaign against him promising "a return to traditional law enforcement." That promise is quite enlightening when held up to Kienast's record. Since he took office, there has been a 35 percent drop in major crimes, coupled with a doubling of the "crime solution rate" (arrests for reported crimes). The "stolen property recovery rate" has tripled.

Complaints about deputies have dropped from one a day to one a month. Private-enterprise management techniques and the nonadversary role of the sheriff's department have combined to cut its job turnover from 80 percent a year to less than 10 percent. Two-thirds of the deputies have trained to serve as emergency medical technicians who are subject to call in life-threatening situations.

With results like that, who needs "traditional law enforcement"? Richard Kienast has proven that libertarian rhetoric about the proper role of the police is more than wishful thinking; "big brother" policing cannot compare.

A large part of the explanation for Kienast's success is that his department uses its resources to protect people and their property rather than to chase down people who use drugs. "Drug enforcement is really a waste of money," says Kienast. "I think that's been proven with the history of marijuana—you can't stop it once it's become socially acceptable. You can make all the laws you want, but they're basically unenforcible. I would analogize it to prohibition. It's going to continue to exist no matter how much you enforce it.

"Locally, you have to set certain priorities in terms of budget. I don't know what the figures are for federal drug law enforcement, but I do know that more than 25 percent of the people in federal institutions are in there for drug violations. And in terms of enforcement, it's been estimated that in 1975, $350 million was involved in investigation on the federal level alone.

Richard Kienast

"If we were to attempt to operate an undercover operation at the most minimal level, it would cost a minimum of $50,000 a year in an area with a permanent population of 10,000."

Tony Fairchild of Aspen has brought a suit against the DEA for invasion of privacy. The agency set up a camera disguised as power transformer on a telephone pole across from Fairchild's home. Privacy suits are almost never successful, but Tony thinks he has a chance because the pictures of his house were broadcast to Aspen citizens on a local television station. Dick Kienast is worried about the power of centralized police agencies. He believes "local police agencies have been the one single institution that has preserved our freedom in the United States, as opposed to having a national centralization of police work, say with the FBI and the DEA. It's a bad move, and I think we're getting to a point where people are recognizing that. In the east, sheriffs' powers have been eroded where they have state police now. I find it kind of scary, especially after my experience with the feds over the last six months. I characterize it as a sort of 'big brother' imposition by the feds—telling us not only how to live our lives but how to enforce the law."

Talking about Colorado's new paraphernalia law that makes apparatus associated with the consumption of drugs illegal, Dick notes that "one of the big supporters of the bill was the arch-conservative of our legislature. He talks about individual rights for a person to do their own business and then turns around and says that it only applies to commerce. If you look at the marijuana and cocaine business, it's the last bastion of entrepreneurial America left. The linkage of those two things with organized crime is bullshit, though it depends on what you mean by organized.

"The LaGuardia Report of 1944 recommended legalizing heroin, because they figured they could cut street crime by 50 percent. In England, where the use of heroin is legal, reported addiction has leveled out in terms of percentage of population. In the United States, it has actually *increased* in the last 10 years. The interesting thing is that heroin addiction is physically less debilitating than alcoholism. But the bad effects of alcohol was the prohibition cause; it was their argument. They tried it, and it doesn't work."

Richard Kienast is a deeply religious man who sees his role in society as a "peacemaker." His opponents accuse him of being paid off by organized crime to limit the scope of his policing. They want "traditional law enforcement." But they have forgotten an even earlier tradition, when law enforcers were known as officers of the peace, whose function it was to protect people from others' aggression—to keep the peace. "Blessed are the peacemakers."

Patrick Cox is a free-lance writer.

arts & letters

movies

- **The Long Riders**
- **The Hollywood Knights**
- **La Cage Aux Folles**
- **The Changeling**
- **Penitentiary**

Reviewed by John Hospers

• It was an interesting idea to have the real-life brothers Carradine and Keach starring as the real-life brothers Younger and James in yet another film about the great Northfield, Minnesota, bank robbery. But that's about where the novelty ends. None of the characters is very well developed in the film, and since they are all multiple killers, whose deeds are repeatedly splashed in blood across the screen, it is difficult to evoke much sympathy for any of them. The events are more or less predictable, with no surprises, and the script has about as much effervescence as a stretch of mud on a moonless night. The main character trait that emerges in the brethren is the steadfast determination to rob banks no matter what the risks or the cost in human life, as if it were a holy mission. A psychological portrait of them, showing what led to such murderous determination, might have been interesting, but the film doesn't provide this, either. The Western may be dead as a film genre, but **THE LONG RIDERS** doesn't do anything to revive it.

• Plato said that art is an imitation of an imitation. This may not be true of art in general, but it appears to be true of **THE HOLLYWOOD KNIGHTS** in particular, though not in the sense that Plato meant. Some years ago a nostalgia series was born with *American Graffiti,* successfully enough to invite a host of imitations, each of which watered down the soup a little more. Then there was one imitation with a special twist, *National Lampoon's Animal House,* whose success is imitated once again, this time in *Hollywood Knights.* But by now the theme has been run into the ground. Nothing remains but unfunny jokes, vulgarity substituting for wit, and empty stereotypes making do in place of honest characterization. The stupidity of the Beverly Hills police is quite beyond belief, but in the end the antics of the kids are no more perceptive. Unlike *Graffiti,* this is the '50s as nobody remembers them.

• The subject of the uproarious French film **LA CAGE AUX FOLLES** (inaccurately titled *Birds of a Feather* in the English translation) is the conflict between two diametrically opposed lifestyles, forced by circumstances into interaction with one another. As such, it is one of the most delightful comedies around and highly recommended to all those who are not intolerant of alternative lifestyles. Predictably, it would do well in New York City but not in Redneck, Texas.

But what makes this slim picture (less than an hour and a half long), adapted from a popular French stage play, so delightful throughout is *texture.* There is not a moment in the whole 90 minutes in which there is not some significant addition to the characterization and to the riotously comic situation. Every word, every gesture, every pause, every seemingly trivial incident, adds its bit of depth to the characterizations and indirectly to the series of comic ironies that ensue. Not one sentence, not one facial expression, not one step across the room, is wasted. The whole is so texturally rich that it takes a second viewing to pick up the full comic impact of every detail. The phrase that has been supposed to describe all art, but does not, is especially applicable to this one: "Infinite riches in a little room."

• After the hokum and stupidity of *The Amityville Horror,* one would have thought that the haunted-house genre of films would have self-destructed simply from shame. Perhaps it's just as well that it didn't, for now we have a new one, **THE CHANGELING,** in which the genre comes out alive and flourishing. Partly owing to an original and well-done script, and partly to the acting of George C. Scott and his wife Trish Van De Vere (not to mention that reliable old pro Melvyn Douglas), it is quite an absorbing film—and this in spite of the fact that it includes not only a large house that emits strange noises and produces remarkable psychokinetic effects, but also seances and other appurtenances of the occult, all of which have been done to death in previous films. But in this film the combination works, and the hokum has enough of an admixture of detective-story realism to be convincing *if* one suspends whatever disbelief one has about the animate manifestations of inanimate dwelling places. It's all put together well enough to provide tension, surprises, and scares for the most scare-hungry viewer; and in the present case, at least, the willing suspension of one's disbelief is worth the trouble, provided that one can forget all about it and return to the real world immediately on leaving the theater.

• Detective stories, monster stories, Westerns, battle sagas, high-seas adventures... films in all these genres tend to repeat each other, and the new ones don't necessarily incorporate the best features of the earlier ones. But in all of them one is inclined to say, "I've seen all this before."

The same is true of prison dramas. They tend to become more violent and explicit as the R category leans more toward X, but otherwise they are fairly repetitive. The newest one, **PENITENTIARY,** is largely a rehash of old material but has several distinguishing features. (1) It is almost entirely about black inmates, and the film was produced, directed, and written by blacks. It's their picture and is much better done than most. (2) It is full of relentless driving energy, never pausing for a moment, and the energy gradually becomes contagious. So does (or might) the violence depicted, cheered increasingly by the audience as the film proceeds. (3) More than half the footage is given over to boxing sequences. If you're not a boxing fan—particularly of the most savage kind of boxing, which makes *Rocky* look tame—this film is not for you. (4) Yet the film doesn't emphasize or even show much of the "degrading" conditions of prison life: the protagonist, though imprisoned by mistake, gets out, better rather than worse than when he entered. The two best scenes both recount the reflections of an old man who has been in prison for over 50 years, and there is no bitterness or even "social protest" in his ruminations. In spite of the violence, the picture is amazingly upbeat.

Yet the story line sags here and there, and the boxing scenes become quite repetitive. On the whole the film doesn't come up to one of the better prison films of a few years ago, Paul Newman's *Cool Hand Luke,* nor to another of the good earlier ones, Burt Lancaster's *Brute Force.* But by far the best prison film of all was the first one, director Mervyn LeRoy's *I Am a Fugitive from a Chain Gang* (1931) starring that incomparable actor Paul Muni. Seen even today it is a work of mind-blistering intensity and tremendous emotional power. For a story in

which every detail is fraught with significance, keeping you on the edge of your seat throughout, and for explosive propulsion to a shattering climax, nothing done since has approached it. For the best of all films in this genre rolled into one, you would have to see no more than this one picture.

John Hospers is a professor of philosophy at the University of Southern California. His special interest is the area of aesthetics.

books

Liberty Begins at Home

Cutting Back City Hall.
By Robert W. Poole, Jr. Foreword by William E. Simon.
New York: Universe Books. 1980.
224 pp. $12.50.

Reviewed by James Dale Davidson

It is probably fair to say Robert Poole's new book is far more significant and important than it is interesting. As a leading line in a review, this sounds like a backhand slap at Poole's prose style. It is not. Poole writes well. His topic, however, is one that has successfully eluded the interest of political theorists and ordinary citizens for the entire time that human beings have been organized in civilized society. That is to say, Poole is attempting to analyze alternative means for the provision of collective goods, including means that could point to a *reduction* in the scope of government over time.

To even attempt such an analysis, Poole has been obliged to trespass upon the near-monopoly of information enjoyed by bureaucrats over the details of the operation of government services. Poole can write authoritatively about alternative means for garbage and solid waste disposal because he has mastered an astounding array of facts. For example:

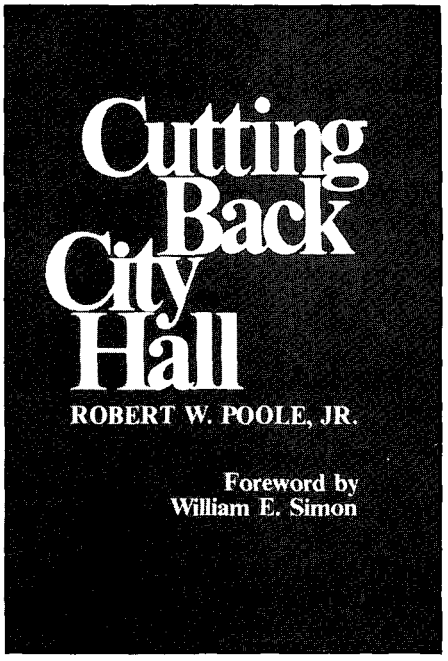
> *In the Little Neck Douglaston sections of Queens, for example, twice-a-week residential service was costing $297 a year in 1975. Just three miles away in a similar neighborhood, Bellerose, in Nassau County, a private firm was providing* three-*times-a-week service for only $72 a year.*

Such detail, which suggests a practically indisputable case against the governmental provision of garbage collection, at least along the lines practiced in Queens, points toward the evolution of a new perspective on politics that could significantly improve the possibility of attaining a free society.

The main thrust of Poole's work is empirical, rather than philosophic, or ideological. Poole is telling us what few have known before, simply because it was too boring to sift through police files to discover that most crimes are solved by the victims or witnesses and not by the police themselves through data collection or detective work. This is a fact that has large importance, especially in combination with other facts that Poole develops in his chapter on police. Altogether, he considerably strengthens the view that police protection is often a private rather than a collective good.

In the process, Poole demonstrates how the purposes of government programs could be enhanced by innovations that sever the connection between government growth and the vested interests of those who constitute the government. In other words, much of *Cutting Back City Hall* is written as though situational constraints—the costs and rewards of various options open to individuals—are more important than ideology in determining how a society operates.

And it is precisely this that leads me to say that this new perspective could significantly improve the prospects for freedom.



Abstract interest in liberty or justice is only slightly more common than abstract interest in "bread" or "shoes." To the extent that people are interested in these questions at all, it is because they find them *enjoyable,* seldom because they find them practical. Abstract theorizing about political matters is, as Brian Barry has pointed out, a "rather gamey taste," like that for chess or bridge. The everyday, plain citizen going about the business of life has far too little time and far too few resources to puzzle over every abstract principle of social organization which the fertile minds of theorists can spin out. To the extent that the average person is aware of political theories at all, libertarian or otherwise, he has a healthy skepticism of them. This is for the practical reason that *most* theories that call for drastic reordering of the current conditions of life are ridiculous.

To the average person, the conditions of human action are not bifurcated into those employing social means and those involving State action. There is one unified setting in which human action takes place, and individuals act to satisfy their ends by employing all the rule-sanctioned means available to them. In contemporary America, the average person obviously considers the elaborate involvement of government in life to be part of the given conditions of action. Short-circuiting the support for intervention involves a process far more subtle than merely making available abstract arguments—no matter how elegant—to the effect that the free market could, in a counterfactual world, produce better goods and services than those provided by the State.

The current governmental permeation of life was not brought about at the behest of fanatical socialists and communists who convinced people that private property and individual liberty were abstractly detrimental to their interests. Rather, small increases in the scope of government were proposed and supported to the extent that they seemed to coincide with the vested interests of sufficient numbers of individuals in organizable groups. Governmental policies persist to the extent that they continue to coincide with the perceived interests of those citizens who are positioned to impress their interests upon the State.

Robert Poole in *Cutting Back City Hall* has contributed in a very thoughtful way to the evolution of libertarian attitudes among the public. His work is analogous to that of the apologists for intervention who constantly survey the operations of firms in the free market to discover "market failures," which then become the basis for government action to correct the situation. Poole brings us extensive evidence of "government failures," inefficiencies that unnecessarily reduce the living standards of ordinary people. This being so, Poole's many cost-cutting suggestions are acceptable to almost any thinking citizen—except, perhaps, to a politician or bureaucrat—exactly upon the premises that citizen now holds.

It is because politicians and bureaucrats, no less than persons operating in the market, seek to maximize their own interests, that Poole's study clarifies aspects of reality that are masked by ideological analysis. That is, Poole pro-

vides an insight into the wide divergence between the ostensible purposes of government action and the true motivation—*to aggrandize* the power and wealth of those who constitute and control the government. By pointing out innumerable ways the ostensible purposes can be more cheaply and efficiently realized—at the expense of reduced power and wealth to the bureaucrats themselves—Poole is discrediting politicians more effectively than could be done by concentrating solely on abstract articulations of the value of liberty.

Our current president, Jimmy Carter, and the man likely to be our next president, Ronald Reagan, both owed a considerable measure of their early electoral support to promises to cut back bureaucracy and eliminate waste. Carter failed in that task; indeed, he seems never really to have begun. Reagan may fare no better. Already, Meg Greenfield of the *Washington Post* has written, some months before the election, that Reagan will not succeed in squeezing waste out of government, partly because he lacks a fully detailed understanding of how pervasive waste is. To prove her wrong, Reagan might pick up a copy of Robert Poole's book. It points the reader to an understanding that merely ideological critiques of government cannot reach.

Getting people to think of the incentive structures that affect the way bureaucrats perform their jobs, and showing how better performance can be attained by altering those incentives, is absolutely necessary to demystify politics. When efforts such as that of Mr. Poole have had the chance to spread a healthy appreciation of the way things work (or in many cases don't work), we shall reach the point where people will no longer be appalled at the thought of introducing incentive programs to make bureaucrats more accountable, as everyone is today accustomed to incentive plans in private business. We can hope for the day when the current of vested interests will be reversed, and bureaucrats will begin to prosper in proportion to their ability to eliminate functions and slash costs. The State could wither from the same causes that now lead bureaucrats to speed its growth.

Jim Davidson is the director of the National Taxpayers' Union and a Viewpoint columnist for REASON. His book The Squeeze *was published recently by Summit Books.*

What's Wrong With Regulation?

The Future of Business Regulation.
By Murray L. Weidenbaum.
New York: Amacon. 1979.
172 pp. $12.95.

The Regulated Industries and the Economy.
By Paul W. MacAvoy.
New York: Norton. 1979.
160 pp. $11.95.

Reviewed by Joe Cobb and Sheldon Richman

American attitudes toward government regulation of business have shifted in recent years. Once upon a time, Ralph Nader and his legions were virtually the only ones cited by news reports concerning regulatory legislation, but today we are often likely to read about doubts concerning the value of regulation expressed by economists and others all along the political spectrum. The news media have begun to discover another side.

And some of it is beginning to pay off. Witness the moves to reform regulations on airlines and trucking and to limit the activities of the Federal Trade Commission and the Occupational Safety and Health Administration.

Two prominent economists have recently contributed to the growing number of works taking issue with regulation: Murray L. Weidenbaum, director of the Center for the Study of American Business at Washington University, St. Louis; and Paul W. MacAvoy, of Yale University, who was a member of President Ford's Council of Economic Advisors.

The Future of Business Regulation by Murray Weidenbaum presents his case for rethinking the regulation issue. It is chock-full of statistics and lists of government agencies that bring home just how much the government has grown in the past 15 years. For instance, we learn that in 1978 the government required $666 worth of safety and emission equipment on automobiles, at a total cost of $6.7 billion, and that the budgets of the federal regulatory agencies increased 115 percent from 1974 to 1979—from $2.2 billion to $4.8 billion. We learn also that the federal government has 4,400 types of regulatory forms and that the total time devoted to filling them out—71,500 person-years—equals the total employment of General Dynamics Corporation.

The picture drawn is one of immense harassment of business, and the inevitable consequence is clear: the consumer picks up the tab. Weidenbaum is alarmed; he desperately wants to alert business leaders, consumers, the media, academics, and government officials to the behemoth that threatens us with reduced productivity, low standards of living, and stagnation.

MacAvoy's *The Regulated Industries and the Economy* is a very short but comprehensive survey of the regulated industries. His book has the quality of a long article in an academic journal—summarizing obviously extensive primary research in a number of tables and commenting tersely upon the findings. He acknowledges the help of a sizable staff of research assistants in the program on government-business relations at the Yale School of Organization and Management, and the book suffers from the committee-style approach to writing.

MacAvoy's findings, however, are devastating to any argument that government regulation is a net benefit to society. It is unfortunate that the book is so passionless, although its very monotony serves to accent the conclusion that *government regulations fail to achieve* their presumed objectives and perversely harm the economy instead. "It is clear that the health and safety regulatory system has increased prices and reduced GNP in the most regulated industries.... They have increased costs of production, which have increased prices to consumers, without having brought about significant improvements in the safety and cleanliness of production and consumption."

In his discussion of the price and entry regulations applied, for example, to public utilities and transportation, he suggests one reason why public opinion might have been ripe 20 years ago for Ralph Nader and the acceleration of regulatory activity since that time in the health and safety areas. Until the onset of strong inflationary pressures in the mid-1960s, the regulated industries benefited from *"regulatory lag"—the* normal delay one might expect from governmental agencies. As technology and productivity advanced, and costs dropped, the industries earned a good return on their investments because prices were held up and competition was held down. MacAvoy does not point out, but it is true also, that the regulated industries were only too happy to praise their masters and agree that regulation was in the public interest; it was both good politics and good business to celebrate the "enlightened" system of regulation. The failure of business itself in days gone by to support the free market prepared the intellectual garden where the likes of Ralph Nader would plant their seeds and reap a harvest of new regulatory agencies in the 1960s.

Times have changed, however, and the next decade may owe many of its social and economic crises to this same regulatory process. Public utilities, in particular, have suffered from "regulatory lag" during inflation. Their costs have gone up more rapidly than their rates. They are facing problems in raising capital, expanding facilities, and earning an adequate return on past investments.

There could well be a shortage in electrical generating capacity in the mid-1980s as a result of public utility regulation in the 1970s.

Both of these books are informative, but reading them is like seeing picture postcards of the Grand Canyon: they just don't satisfy. MacAvoy, for example, is a defeatist. "In the 1980s the American economy will probably continue to operate under the legislation on regulation much as it now exists on the statute books. As a result, the economy will not perform as well as it might." As in the classic case of the "seen and the unseen," however, there are interest groups—consumerists, environmentalists, organized labor, business lobbies—that benefit in the short run from continued regulation; and no interest group speaks for the longer-run, less-visible, but far greater costs to society as a whole from government regulation.

Certainly the general public is not going to believe the anguished cries of the regulated businesses themselves, because their pleas are perceived to stem only from self-interest. It is regrettable that so many business leaders have lost all credibility to speak on behalf of the public interest, due in greatest measure to their venal pursuit of government subsidies and favorable regulations in the past. Yet if business leaders can't effectively speak for themselves, because of public distrust, can Murray Weidenbaum fill the gap? The problem is that Weidenbaum's case is also weak, his objectives are "moderate" to a fault, and his strategy borders on apologetic.

Weidenbaum urges Congress to compare the costs and benefits of proposals before acting on them. He aspires to make government more efficient, with sunset laws, pollution taxes, budget reviews, and other devices. He seeks to fine tune the regulatory system to make it more "cost-effective." Needless to say, he makes no comprehensive case against government regulation based on principle. He simply thinks the American people are paying too much for too few benefits.

Legislators should avoid a headlong rush into new regulatory adventures, says Weidenbaum, and instead work for reform and in some cases—the Interstate Commerce Commission, for example—deregulation. He concedes that there is another remedy for what ails the economy but gives it short shrift: "To be sure, a third approach is present, the desire to return to a simpler age with limited government involvement in private affairs. This book will give little attention to that alternative, not so much because of philosophical disagreement, but rather because a return to the status quo ante is not a reasonable expectation." Elsewhere in the book he writes, "There will not, in short, be a return to a simple status quo ante, since public concern with environmental quality, safety, equity and similar social objectives will certainly remain."

Though he may not have intended it, these passages are offensively condescending to those fighting for a free market. "Limited government involvement in private affairs" is associated with the pejoratives "simpler age" and "status quo ante." One would expect such treatment from Ralph Nader. And his self-fulfilling prophecy is too obvious. If established economists who acknowledge sympathy with the free market won't discuss it—indeed, disparage the idea!—because they think it cannot be achieved, then no doubt it won't be.

A particularly distressing part of Weidenbaum's analysis is that it is quite open to attack from the Naderites. Nader has already launched an assault on the cost/benefit approach to regulation, and he may win. In narrow terms, logic is on his side. For example, let us say a new safety regulation is proposed. It will cost $5 billion a year to administer and $10 billion in new equipment for business. Weidenbaum might argue that the regulation is ill-considered because it is too expensive, it may not deliver the promised benefits, and the goal could probably be achieved more cheaply if government simply required private enterprise to find a way, after setting the objective.

We could then expect to hear the Naderites retort: "Efficiency, efficiency, efficiency. That's all we hear from these free-market economists. Well, we believe that there is something more important than efficiency. We think human life comes before the balance sheet. This new regulation could save 5,000 lives per year, but these economists don't think that's worth $15 billion. It's about time we started putting people before profits."

The cost/benefit approach is powerless before such criticism because Ralph Nader is partly right. Not all values can be expressed in quantitative terms. Costs themselves are not objective but represent forsaken opportunities. Moreover, as James Buchanan points out in his brilliant little book, *Cost and Choice,* in the area of public policy there is not even a coherent model to relate policy decisions to public costs and benefits. Ralph Nader is arguing that those cost/benefit studies that reach conclusions that he disagrees with are in truth biased against the regulations they supposedly are evaluating objectively. What is more, all of us trade increments of efficiency (relative to some professed goals) for other values in our personal lives. So Nader can easily knock down the claim that government should consider only economic efficiency.

Ralph Nader, Murray Weidenbaum, and Paul MacAvoy, therefore, all miss the most important point about government regulation. It is irrelevant to debate its "benefits" and "costs" because those are dependent on the evaluations made by specific individuals in unique circumstances. A price cannot be placed on lost lives, but neither can it be placed on lost liberty, lost opportunity, lost dignity, or the precedent for further government involvement in the economy.

Both Nader and Weidenbaum have a similar problem. How much is Nader willing to force the American people to obey for their own "good"? Traffic deaths could be cut substantially by banning alcohol drinking, prohibiting left turns, and cutting the speed limit to 25 miles per hour. Would Nader regard these measures as worth the costs? As for Weidenbaum, how low must the costs be before regulation is a good buy? If $666 in auto equipment is too much, how about $333? Neither side can offer anything but an arbitrary standard because both are remiss on the question of *justice.* However much they may throw the word around, the Naderites don't care about it: they willingly sacrifice individual preferences in the free market for their opinions in government policy. The cost/benefit people ignore it implicitly because they favor regulation when "benefits" seem to "outweigh" costs.

Both sides in this political argument are willing to impose costs on innocent persons. Both sides are willing to prevent the market—that is, the voluntary search for solutions—from operating, rather than let persons select their own benefits and costs.

What is sadly missing from much of the criticism of government regulation is some recognition that costs and benefits don't fall on "society." They fall on particular persons, and in any given public policy they usually fall on different persons. Even if we could measure them (lost lives, saved lives, lost liberty, and all) and determine that benefits exceeded costs, that could not justify imposing lesser costs on Tom for the greater benefit of Dick and Harry. That is coercion. That is injustice.

On strategic issues, Weidenbaum misses the boat, probably because his strategic vision is the result of his uninspiring objectives. MacAvoy concludes that regulation is a counterproductive phenomenon, and shrugs. Weidenbaum tells businessmen to be better at serving consumers (do they need such advice?), avoid ostentatious executive perquisites (in other words, pay higher personal taxes), tell the public about the burdens of regulation (why should the public have any sympathy?), and get involved in the public policy process (lobby for favorable regulations?). To his credit,

he urges businessmen to stop asking for taxpayer subsidies; such hypocrisy is highly damaging to the case for the free market.

Defenders of the market have too few friends. We must, of course, encourage fellow travelers on their strong points and note where they undercut them. The case for economic liberty cannot stand on efficiency grounds alone. Attempts at making it do so will not only fail; they will aid the market's enemies. The competitive economy is ultimately a matter of justice for producers and consumers, and justice is a matter for all persons, whatever their fields of expertise—even economists.

Joe Cobb and Sheldon Richman work for the Washington-based Council for a Competitive Economy, where Mr. Cobb is director of its Energy Project and Mr. Richman is director of research.

US Liberty versus World Reform

Not to the Swift: The Old Isolationists in The Cold War Era.
By Justus D. Doenecke.
Lewisburg, Penna.: Bucknell University Press. 1979. 289 pp. $17.50.
Menlo Park, Calif.: Institute for Humane Studies. 1979. 289 pp. $6.95 (paper).

Reviewed by Leonard Liggio

Many advocates of noninterventionism with reference to the Second World War had been active opponents of the US entry into the First World War. Later, they had fought strongly against the Versailles Treaty on the ground that its harshness would cause the Germans to demand revision, Allied resistance to which would cause a second world war. How did these people respond to the Cold War? That is the question addressed here by Justus Doenecke, as a part of his long-term study of American noninterventionism before Pearl Harbor in December 1941.

When the First World War had ended with European capitalism devastated by war collectivism and taxes, Herbert Hoover established the Hoover Institution on War, Revolution and Peace to study how war causes social revolutions such as Russian communism or German or Italian fascism. Hoover and his former aide at Versailles, Robert Taft, believed strongly that a negotiated peace between Britain and Germany was preferable to a war prolonged by American entry. War, they contended, would lead to increased collectivism in America and to the victory of communism in Europe and Asia.

During and after the Second World War, the noninterventionists advocated a negotiated peace, support for the German underground to depose Hitler, and limitation on bombing of civilians. There was strong criticism of the Nuremberg trials by Taft; many felt that they could not be justified unless the judges came entirely from neutral nations. Oswald Garrison Villard asked why a court had never been called to try war-causing Americans like Polk and Lincoln. The isolationist *Progressive* featured William B. Hesseltine's implicit comparison of mythical atrocity stories of the Civil War to atrocity accounts from the Second World War. Isolationists protested the Yalta Agreement's condoning of slave labor by the Soviet Union, whether for German prisoners or for forcibly returned Russian anticommunist troops.

The way in which the Second World War ended alarmed the noninterventionists. Felix Morley called the use of the atom bomb an "infamous act." Rev. James Gillis, in the *Catholic World,* said America had struck "the most powerful blow ever delivered against Christian civilization and the moral law." Joseph P. Kennedy and the *Chicago Tribune*

Book Hints *a selective mention of books received*

Some interesting data on the revolutionary days of America can be found in two books that draw heavily on actual notes and journals: *The Revolution Remembered,* edited by John C. Dann (Chicago: University of Chicago Press, 1980, 446 pp., $20); and *Liberty's Daughters,* by Mary Beth Norton (Boston: Little, Brown and Co., 1980, 384 pp., $15). A further examination of past lives, this time of one quite influential individual, is Nathaniel Weyl's *Karl Marx: Racist* (New Rochelle, N.Y.: Arlington House, 1980, 283 pp., $11.95). Weyl cites chapter and verse to show that Marx hated not only Jews but blacks and Slavic peoples, but he adds a lot of debatable psychohistory to explain it all.

John Locke, by Karen Iversen Vaughn, takes up the threads of a growing appreciation of Locke's contribution to economic science, a subject sadly neglected until now (Chicago: University of Chicago Press, 1980, 178 pp., $13.50). Vaughn details Locke's economic theories as well as his theory of political society and defends Locke against some critics by arguing that he did not set out to present a unified theory of social interaction.

Another historic figure, the famous "single-tax" advocate, is appraised in *Critics of Henry George,* edited by Robert V. Andelson (Cranbury, N.J.: Fairleigh Dickinson University Press, 424 pp., $18), published to mark the centenary of the publication of *Progress and Poverty.* It's a collection of essays on George's critics, from the 19th century up to the present, and ending with an essay on Neo-Georgism by Andelson.

A more contemporary figure is studied in *Encounters with Kennan* (Totowa, N.J.: Frank Cass & Co., 1979, 218 pp., $19.50). Kennan is best known as the "Mr. X" who in 1947 wrote an article advocating a "doctrine of containment" toward the Soviet Union, a doctrine with which he has now become disenchanted; and this book is a series of conversations and comments by Kennan and others on various aspects of foreign affairs, all reprinted from the British magazine *Encounter.*

Speaking of disenchantment, in *Electroshock* (New York: Springer Publishing Co., 1979, 244 pp., $17.95), Peter R. Breggin examines the physiological, psychological, and ethical implications of electroshock therapy. And, on issues more metaphysical than medical, *An Anthology of Atheism and Rationalism,* edited by Gordon Stein (Buffalo, N.Y.: Prometheus Books, 1980, 351 pp., $16.95), reprints a selection of essays on the subject.

Like the atheist, the entrepreneur is often a subject of scorn. A pamphlet put out by the Institute of Economic Affairs, based on a seminar in October 1979, attempts to correct this distorted view of the *Prime Mover of Progress* (London, 1980, 147 pp., $12.50 paper). John Baden also sets out to correct some misconceptions on how best to protect the American environment in *Earth Day Reconsidered* (Washington, D.C.: The Heritage Foundation, 1980, 108 pp., $4.00 paper), edited by Baden. The different essays making up this booklet are the result of a Liberty Fund conference organized by the Center for Political Economy and Natural Resources at Montana State University. "This book is one of advocacy," says the introduction. "It advocates environmental quality, economic efficiency, and it especially advocates individual freedom."

Another collection of essays, *Philosophy and Economic Theory* (Oxford: Oxford University Press, 1979, 177 pp., $5.95 paper), edited by Frank Hahn and Martin Hollis, appears in the Oxford Readings in Philosophy Series. The questions considered in reprinted essays by Milton Friedman, Lionel Robbins, Ludwig von Mises, Kenneth Arrow, John Rawls, and others center on methodology, rationality, and values in the science of economics.

—C. D.

viewed it as senseless and brutal, while isolationist financier Robert Young claimed the atom bomb was used to "serve frightful warning upon possible Russian postwar ambitions in Europe and Asia."

The strong interest of noninterventionists in revisionism in opposition to official history extended from the origins of the Second World War to the origins of the Cold War. Revisionist histories by Charles A. Beard, Harry Elmer Barnes, etc., became the center of a controversial "battle of the books." Attacked in the establishment press, revisionist history received a hearing in the *Progressive, Human Events, Christian Century, American Journal of International Law,* and *analysis.*

Doenecke devotes much of his study to Cold War crises such as the Truman Doctrine and the Korean War. Rep. Lawrence H. Smith of Wisconsin found the Truman Doctrine "smelling" of oil politics. Sen. Edwin Johnson of Colorado concurred, calling it "a political insurance policy for the Standard Oil companies," which had established their dominance in Saudi Arabia a few months earlier. *Time* magazine noted: "The loud talk was all of Greece and Turkey, but the whispers behind the talk were of the ocean of oil to the south." Taft noted that America's assumption of dominance in Greece and Turkey undermined the basis of objections to Soviet domination in Eastern Europe. The Truman Doctrine, he argued, would initiate a program of military and foreign spending that would endanger capitalism in America by spending the nation into bankruptcy.

Yale law professor Edwin M. Borchard insisted that America could do more to defeat communism by doing less abroad and concentrating on developing America's free economy. Whether because of human nature, economic laws of the free market, or the balance of power, any expansion—by the Soviet Union *or* the United States—would cause the expanding country eventually to withdraw. And since communism was a failure as an economic system, expansion would place greater pressures on its economy.

Noninterventionists also questioned whether the Truman administration's black-and-white dichotomy with reference to China was correct. Did not Russia, they asked, prefer a divided and distracted China to one unified under Mao, who had shown independence of Moscow and would become a rival to the Soviet Union? The fall of China proved the correctness of the noninterventionist position in 1941. Chiang's regime hardly deserved support against the Japanese or Mao. Chiang had made it to Taiwan with plenty of gold and "other negotiable trinkets," noted Frank Chodorov. "These should keep him in eats, now that the taxing power has passed on to other hands."

The Korean war was met with immediate challenge from Taft, who questioned the constitutionality of Truman's intervention. Soon after, a Great Debate on foreign policy was launched by Joseph P. Kennedy at the University of Virginia. He called for American military withdrawal from Europe and Asia, from Germany and Korea. Contending that the Soviet Union was burdened by a grave internal crisis due to communism itself and to overexpansion, Kennedy asked: "What business is it of ours to support the French colonial policy in Indo-China or to achieve Mr. Syngman Rhee's concepts of democracy in Korea?" Hoover and Taft reiterated the same themes. To quote Doenecke: "The Ohioan asserted that the Soviet Union was planning no war with the United States; rather, it relied solely upon satellite armies and local Communist parties to extend its power overseas. American foreign policy, he maintained, must center on "the liberty of our people," not efforts to "reform the entire world." Walter Lippmann endorsed much of the analysis of Hoover and Taft.

In a national broadcast in January 1952, Hoover summed up the arguments of the Great Debate. Europeans, he noted, felt less threatened by the Soviet Union than did Washington propagandists. The reasons? Russia could overrun Europe anytime and does not because of the vast difficulties following on expansion; the Russians know they cannot defeat the United States; invasion of Europe would add another dozen nationalities to the centrifugal forces of the 30-odd nations they rule; an invaded Europe would be less productive for Russia; Russia knows that communism cannot win the hearts of Europeans and is turning to Asia; existing American policies create economic confusion that is satisfying to the Kremlin.

In his unsuccessful campaign for the presidency in 1952, Taft published *A Foreign Policy for America.* Freda Utely regretted Taft's failure to understand that war needs to be continually risked. Likewise James Burnham, Robert Strausz-Hupe, and McGeorge Bundy attacked Taft. Historian Richard Current welcomed Taft's forthright constitutionalism and attack on Truman's policies but was sad that Taft's position resembled George Kennan's containment policy rather than the rigorous analysis of Charles Beard. But a thorough examination of the Cold War critiques of Taft and Beard, as well as Villard, John T. Flynn, and Lawrence Dennis is yet another project. It may be found, in fact, in Ronald Radosh's *Prophets on the Right: Profiles of Conservative Critics of American Globalism,* recently issued in paperback by Free Life Editions. Doenecke's work is a fine complement to Radosh's outstanding contribution.

Leonard Liggio is the president of the Institute for Humane Studies and a historian.

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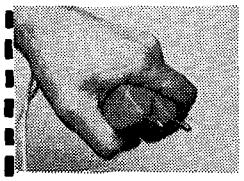

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Secession, Anyone?

Sweet Anarchy.
By Nathaniel Benchley.
Garden City, N.Y.: Doubleday. 1979.
319 pp. $10.

Reviewed by David Brudnoy

Man is born free... but everywhere he is in chains. You've heard the line before and realized its truth and probably—*certainly,* if you regularly read this magazine—you've done something to break those chains. Independence from oppressive authority stands at the center of every reasonable person's dream of actual freedom, and whether movements to achieve freedom have been comparatively benign (the American Revolution, as the prime example) or terribly bloody (fill in

the blank with almost every other significant revolution), still, mankind keeps on dreaming the dream and recoiling from the slavery.

Sometimes it boils down to the slightest straw breaking the proverbial camel's back. In pop literature, a tea tax did it for the colonials two centuries and a fraction back. And on the islands of Martha's Vineyard and Nantucket three years ago, the loss of one politician representing the people of those lovely places in the grandiosely named General Court of the Commonwealth of Massachusetts got a movement toward independence as far as the talking stage. And provided a lot of otherwise bored journalists with copy for weeks.

Nathaniel Benchley's mundane new novel, *Sweet Anarchy,* plays with that Massachusetts exercise in mumbo jumbo, robbing even that silly example of the yearning for independence of whatever significance it might have as a historical footnote. For background, know this: the meddlesome League of Women Voters somehow convinced Bay State voters that government would be ever so much nicer, cheaper, and more "responsive" (a dangerous code word, usually signifying just the opposite) if the size of the "unwieldy" legislature (the General Court) could be trimmed. The Leagueies huffed and puffed and blew the opposition down, and lo, before we knew it, the House of Representatives was cut, as of November 1978.

This led to the creation of a committee mandated to draw up the new district lines, and lo once more, the good people of Massachusetts suddenly discovered that in trading unwieldiness for, presumably, wieldiness, they had traded, as well, a representative for virtually every city and town for a rep for a much larger area. Although Massachusetts as a whole voted four-to-one for the cut, the people of Nantucket and Martha's Vineyard voted for it by a much narrower margin. They knew, or believed they knew, that they'd lose a home-grown representative in the House. After the gerrymanderers had done their best, or worst, the two islands found themselves lumped together with a part of Cape Cod, which though a cape (and a world unto itself) is nonetheless technically part of the detested mainland.

The island pols whipped up secession sentiment, Nantucket voted for it four-to-one, the Vineyard never really got around to voting, the governor (Michael Dukakis at that point) spared everybody the annoyance of hearing him say "A Commonwealth divided cannot stand," the commentators had their columns for days, and of course nothing happened. Nothing much ever happens in America except business as usual.

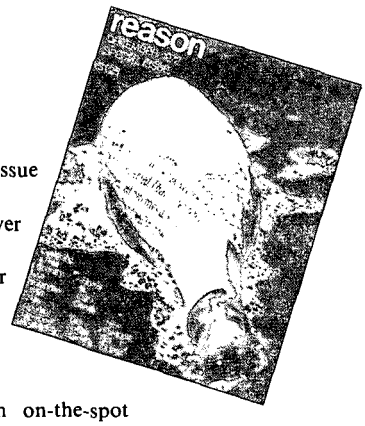
Now, Mr. Benchley must have said to himself one lazy afternoon, what if the islands had gone through with it? Eureka! A novel was born. The names are changed to protect the bored, but the situation is clearly that in Massachusetts in 1977. Toss in some bodies, a little romance, business hijinks, a jealous husband who murders; pad it with town meetings and rendezvous and assorted tricks of the novelist's trade, and the novelist has his book, as the reader has it too, if the reader can stay awake through it.

Sweet Anarchy will make a nice little movie. Something on the order of *The Russians Are Coming,* and John Hospers can review it next year. It's nothing, however, as a novel. And think of all the trees cut down to produce it!

But as I was propping my eyelids open with toothpicks during the process of reading the thing, I thought of the possibilities for a pleasant secession, and granting only the secessionists' arguments in this book—"We're being screwed by the State, screwed by the United States, and screwed by everybody except Tillie Lester's cat"—I let my mind wander (no chore, reading this book) to an unlikely successful late-20th-century gesture of this sort. I realized that in the real world, as in *Sweet Anarchy,* there would be moguls aplenty ready to advance the cause of secession if only to plug into the new power structure's natural tendency to act like the old power structure (in Benchley's book, oil speculators wanting offshore rights). As a broadcast media fellow I knew instantly that the heaviest winners would be my

Have You Seen...

REASON's continuing coverage of the new-country movement?



In **December 1972** REASON led off with a special issue on new-country projects that included
- an interview with **Mike Oliver**—the first ever published;
- marine expert Will Barkley on the prospects for **ocean settlement** and the techniques for doing it; and
- economist John Snare's evaluation and **prognosis** for new-country attempts.

In **October 1974** REASON followed up with on-the-spot coverage of the efforts of American libertarians to aid independence-minded people in **Abaco,** one of the Bahamas islands. Editors Lynn Kinsky and Robert Poole traveled to Abaco to assess the situation and reported their findings in REASON. (The October 1974 issue also carries a fascinating interview with Dr. Thomas Szasz, heretic of the mental health profession.)

In **April 1975** REASON editor Robert Poole reported on his first-hand experience as a visitor to the **New Hebrides,** describing the islands' two-government system, their reputation as a tax haven, and the first moves toward independence.

In **October 1979** REASON looked ahead to independence for the New Hebrides, scheduled for 1980, with John Hospers covering the hopes of the native **Na-Griamel** movement and the obstacles facing its bid for liberty.

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colleagues and yours truly: we'd get trips to the islands for live remotes, for weeks. As Benchley writes, "Frank Sinatra was going to use the island as location for a motion picture about secession, with Spiro Agnew playing the President" (God help us) "and... Irving Berlin was going to compose a National Anthem for the island if its independence became total, and Barbra Streisand would record it with the Boston Pops orchestra, Arthur Fiedler conducting." Fiedler's dead, but so's the book.

I knew that Benchley was right to imagine the sentiment of most of the pro-secession folks like so: "And you feel you'll be happy if there is no government." "I'll be free, and that's the same as happy.... Everyone should be able to do as he pleases, and thumb his nose at the government." Imagine, the novelist as crypto-David Friedman.

Give Benchley his due: he does recognize the overwhelming urge to dredge up "every cliché in the lexicon of patriotism," here in the service of the secession, elsewhere for anything you like, anything at all. Dammit, the guy even knows enough about human nature to realize that just before every revolution devours its children, it promotes some to the top-cat jobs: "You forget, we seceded. Out here, we do things our own way." And, oh yes, the tourists will come. Where was it last time? Abaco, I think; some place out there, like that.

Sweet Anarchy is a crummy book, but the theme has possibilities. What if, just what *if*, some self-contained smidgeon of America decided to try out secession—and it worked? Meanwhile, we can at least vote against the Demoblicans and keep plugging the voucher system. Gotta start somewhere.

David Brudnoy hosts talk shows and reviews the arts for WHDH Radio and WNAC-TV in Boston and reviews movies for Libertarian Review.

letters

(Continued from p. 13.)

John Gofman's emotionally charged and somewhat irrelevant letter (June) has forced me to question his philosophical premises.

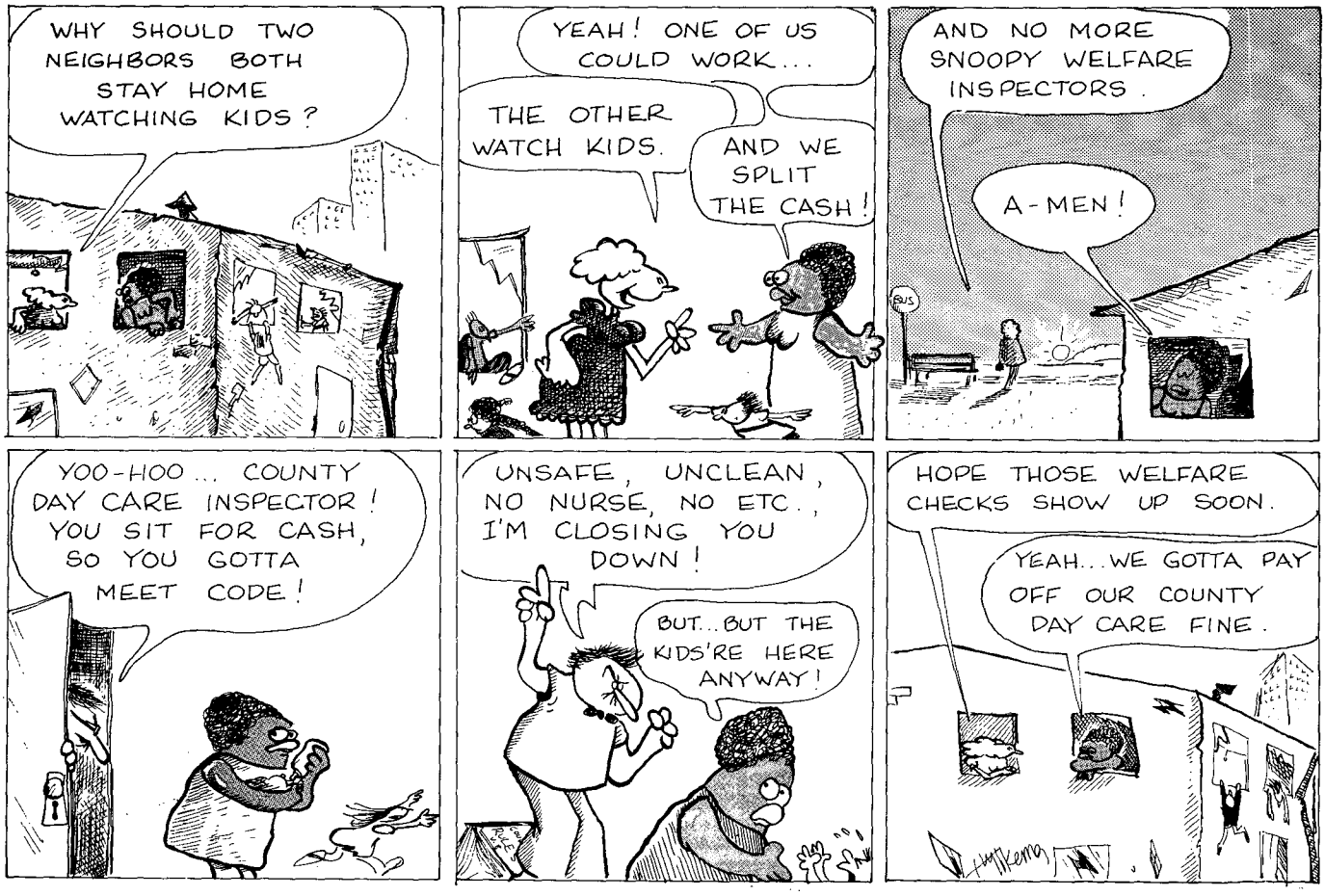
Dr. Gofman, an eminent chemist and physician, has made many genuine contributions to the sciences, and I greatly sympathize with some of his conclusions regarding the nuclear power controversy. I have heard him speak on several occasions and have read many of his writings. Because of his considerable influence in some libertarian circles which reject privatization of the nuclear industry, his comments must be examined more thoroughly.

For example, in *National Forum,* Gofman wrote that "nuclear power is unacceptable even if a catastrophic accident would *never* occur." Describing nuclear power as "premeditated murder" and "a crime against humanity," he concluded that "there should be no future *permitted* for nuclear power," while denouncing "the grotesqueness of a cost-benefit approach to energy options."

As a scientist, Dr. Gofman should recognize that uncertainty underlies technological assessment. This uncertainty *requires* cost-benefit and risk-return analysis through the market mechanism. In this respect, the question of low-level radiation is analogous to the use of potentially carcinogenic nitrite food additives as well as the agricultural use of

rudebarbs

Randall K. Hylkema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YEAH! ONE OF US COULD WORK...
THE OTHER WATCH KIDS.
AND WE SPLIT THE CASH!
AND NO MORE SNOOPY WELFARE INSPECTORS.
A-MEN!
YOO-HOO... COUNTY DAY CARE INSPECTOR! YOU SIT FOR CASH, SO YOU GOTTA MEET CODE!
UNSAFE, UNCLEAN, NO NURSE, NO ETC., I'M CLOSING YOU DOWN!
BUT...BUT THE KIDS'RE HERE ANYWAY!
HOPE THOSE WELFARE CHECKS SHOW UP SOON.
YEAH...WE GOTTA PAY OFF OUR COUNTY DAY CARE FINE.

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pesticides. Would Dr. Gofman conclude that "there should be no future *permitted*" for these technologies which help prevent botulism and feed the hungry?

Dr. Gofman has also written about "our responsibility to prevent genetic degradation." Would Dr. Gofman "permit" somewhat risky recombinant DNA research which has now been used for the natural synthesis of insulin, somatostatin, and beta-endorphin?

Dr. Gofman must also recognize that the nuclear industry could potentially survive, even in the absence of government subsidies and the Price-Anderson Act. Will he "permit" the free market to reach conclusions which may be contrary to his own? If not, then he is no libertarian.

Christopher Witzky
New Fairfield, CT

classifieds

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THE CLASSIFIED AD DEADLINE FOR THE NOVEMBER ISSUE IS SEPTEMBER 1.

The Psychology of Freedom
Liberty and Love as a Way of Life

by Peter R. Breggin, M.D.

- On love for self and others
  - What is love?
  - Enjoying romantic love
  - Bodily sex and passion
  - Freedom versus love?
  - The fear of loving
  - Pursuing your self-interest
- On self-determination
  - Self-oppression – the key concept
  - Feelings of helplessness & fear
  - Supremacy of reason over emotion
  - Making insight work in your life
  - Personal freedom in everyday life
  - You own yourself
- On parents and children
  - Parenthood without force
  - Raising free & happy children
  - What parents owe children
  - What children owe parents
  - Origins of guilt & shame
  - Transcending your childhood

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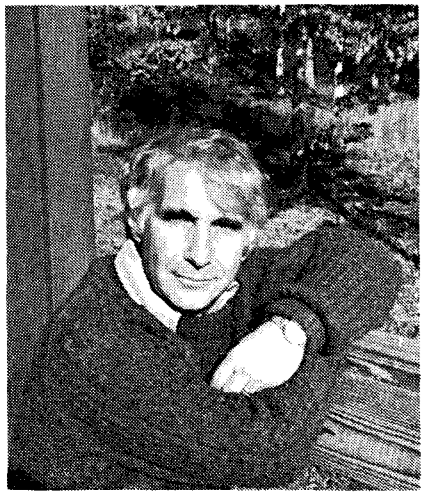
"*The Psychology of Freedom* is a personal as well as a theoretical book. It draws on my personal experience, and tries to address yours. I hope it will put you into closer touch with yourself and with your own deeply cherished values of freedom, individuality, and a love for life."

Peter R. Breggin, M.D.



Peter R. Breggin, M.D. is a psychiatrist in private practice in the Washington, D.C. area, and the author of five books and many articles dealing with psychiatry. Formerly a Teaching Fellow at Harvard Medical School and a fulltime Consultant with the National Institute of Mental Health, he is now Director of the Center for the Study of Psychiatry. Internationally known as America's leading critic of oppressive psychiatric technology, he now responds to the question, "What have you got to offer that's better?" His answer is a systematic, yet common sense presentation of the psychology of self-determination.

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Joan Kennedy Taylor, nationally syndicated radio commentator (Byline), and co-author, *When to see a Psychologist*, San Francisco.

"A set of surprisingly rich and convincing personal guidelines, head and shoulders above most of the self-help books on the market today."
Roy Childs, Jr., Editor, *Libertarian Review*, San Francisco.

"His call for the end of oppressive parental control and manipulation of children and for the uncompromising recognition of the personal sovereignty of the child is breathtaking in its audacity but totally consistent in its logic. If we are ever to have a society of self-determining, free individuals, we need such insights."
Sharon Presley, National Coordinator, Association of Libertarian Feminists, New York City.

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